ANNUAL REPORT 1983

Bell Canada Enterprises Inc.

BCE

C O N T E N T S

Bell Canada Enterprises Inc.

Bell Canada Enterprises Inc.
Executive Offices
800 Square Victoria
44th Floor
Montreal, Quebec

BCE* has the largest number of registered shareholders of any Canadian corporation and its common shares are listed on Canadian, United States and European exchanges.

BCE subsidiaries and associated companies are major providers of telecommunications services; they are leaders in the manufacture and supply of telecommunications equipment, and in natural gas transportation and natural resource operations.

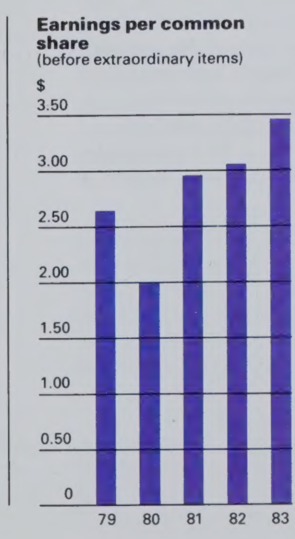
BCE, with its other subsidiaries and associated companies, also is a major provider of international telecommunications consulting services, and is engaged in printing, publishing, packaging and other fields.

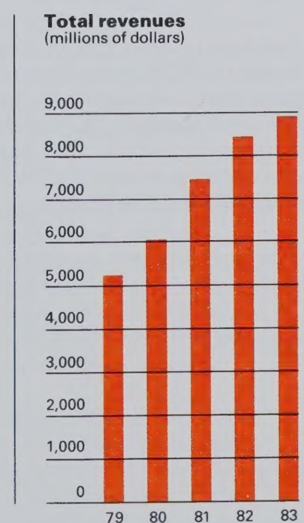
1984 Annual Meeting
The annual meeting of the shareholders will take place at 2:00 p.m. Wednesday, April 25, 1984 at the Montreal Convention Centre, 201 Viger Avenue West, Montreal, Quebec.

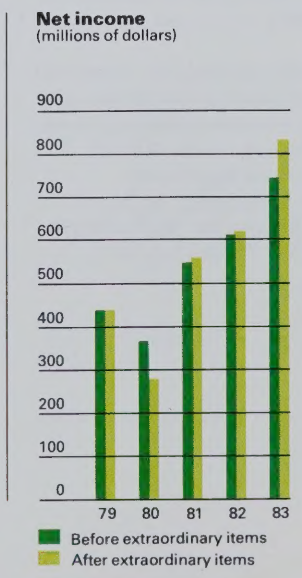
**BCE is a trademark of Bell Canada Enterprises Inc.*

Bell Canada Enterprises Inc.

Canadian dollars	1983	1982	1981
	(in millions of dollars except per share amounts)		
Earnings per common share			
before extraordinary items	$ **3.46**	$ 3.05	$ 2.95
after extraordinary items	**3.88**	3.07	3.00
Total revenues	**8,874.7**	8,411.3	7,389.9
Income before extraordinary items	**745.2**	611.5	546.8
Net income	**829.8**	615.4	555.5
Return on common equity	**14.7%**	13.7%	14.0%
Total assets	**14,940.4**	13,424.1	12,451.2
Gross capital expenditures	**1,597.1**	1,759.6	1,713.9







The year 1983 was exceptional, both for Bell Canada Enterprises Inc. (BCE) and its shareholders.

The excellent financial results were consistent with our goals. They produced 1983 consolidated earnings per common share, before extraordinary gains, of $3.46 — up more than 13 per cent from those reported a year ago. The increased earnings per share reflect strong performances by Bell Canada and by Northern Telecom Limited.

In November, we declared an increased dividend, payable in January. This was the eleventh consecutive increase and it raised the indicated annual dividend to $2.18, compared with $2.08.

The most significant event in our corporate calendar last year occurred on April 28 at the annual meeting. I was able to announce that final approval had just been received to proceed with the corporate reorganization under which BCE succeeded Bell Canada as the publicly-owned parent corporation.

This step permitted us to concentrate our investment interests with BCE, as the holding company; and Bell Canada became a wholly-owned subsidiary, concentrating all of its energies on its telecommunications business.

Early in May, a five-year, $1.6 billion contract was signed by Bell Canada International with the Ministry of Post, Telegraph and Telephone of the Kingdom of Saudi Arabia. Under this contract we continue an association which began with agreement on a similar five-year contract dating from December, 1977.

In June, the board of directors approved plans to expand BCE's equity base through an offering of 12,600,000 new common shares. It was the first international equity issue to be offered simultaneously in three markets by a North American company. When completed, on July 7, the issue had successfully raised some $336 million.

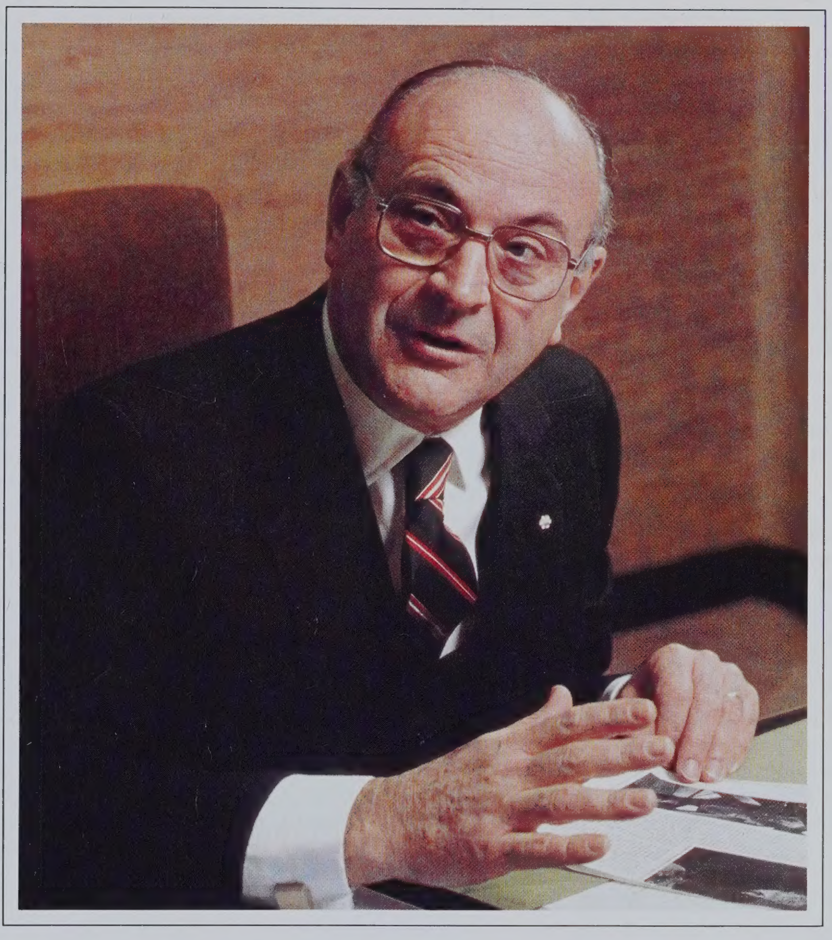
Another important source of equity capital was the Dividend Reinvestment and Stock Purchase Plan. In 1983 it produced $245 million, more than double the figure of a year ago.

Nineteen eighty-three also was World Telecommunications Year. One of the most significant and impressive events of its observance was the Fourth World Telecommunications Forum, held in Geneva by the International Telecommunications Union. At the opening discussion on global telecommunications, it was my privilege to represent Canada on a panel which also included representation from Australia, France, Saudi Arabia, the United Kingdom and the United States.

At the same time, the BCE family of companies was well represented at "Telecom 83", the world telecommunications exposition staged in conjunction with the Forum. Northern Telecom and Bell Canada International were prominent among the hundreds of impressive exhibits. Worldwide awareness of Northern's technological leadership was shown by the intense interest in its displays and presentations.

In December, following extensive study of many alternatives, the board approved a recommendation for BCE to diversify by acquiring a substantial interest in TransCanada PipeLines Limited (TCPL), the largest Canadian pipeline company. TCPL has extensive interests in several United States pipelines, and also has substantial holdings of oil and gas reserves in Canada and the United States.

The acquisition was initiated with the purchase of a block of 11.8 per cent of the common shares of TCPL from Dome Canada Limited at a price of $31.50 per share. A similar offer was extended to other TCPL shareholders, and the response resulted in BCE gaining a 42.3 per cent ownership position (19,224,596 common shares) at a cost of $605.5 million.



TCPL was attractive because of the growth and stability of its income stream and asset base. We are confident that it will have a positive effect on BCE's earnings per share in 1984 and provide a growing contribution to earnings in the future. BCE is TCPL's largest shareholder and, through this acquisition, BCE's investment interests in western Canada have been significantly increased.

We have a large and growing pool of capital; and BCE will continue to study opportunities for investment and diversification, either directly or through our subsidiary companies. In doing so, we will remain conscious of the responsibility to preserve the quality of BCE's asset base and to maintain our dividend record.

1983 was a year truly unique in the annals of our corporate life. It was by turns challenging, frustrating, satisfying, demanding and stimulating. Above all, it was a year marked by success in the launching of Bell Canada Enterprises Inc. at the centre of the BCE family of companies.

That success flowed from the exceptionally high level of concern and commitment of the staff of BCE, without whom the achievements would not have been possible.

I salute them and assure you, as shareholders, that your interests are well represented.

A.J. de Grandpré
Chairman

February 22, 1984

BCE — Bell Canada Enterprises Inc. — is a new corporation with a new name. Its roots lie deep in Canadian telecommunications history; its future lies in a commitment to nurture the domestic and international development of Canadian-based enterprises.

With more than a century of experience in the funding and management of telecommunications technologies, BCE is uniquely qualified to address the increasingly complex, worldwide demands of the "information age". And now, BCE has an equity participation in TransCanada PipeLines, which is well situated to respond to the evolving energy needs of North America.

The building blocks of BCE were set in place by Alexander Graham Bell and the establishment of The Bell Telephone Company of Canada in 1880.

Over the next 103 years it became the nation's largest diversified telecommunications company, known simply as Bell Canada. Its corporate family grew to more than 80 separate companies, including Northern Telecom Limited and Bell-Northern Research, organizations with worldwide reputations of their own.

Bell Canada functioned as both a telecommunications operating company and as a holding company, with its energies divided between operating considerations and the strategic needs of the total group.

Following lengthy and detailed study, the board of directors concluded that creation of a separate holding corporation was needed to take full advantage of future opportunities and to provide effective overall leadership and direction for the group.

Final federal approval was received on April 28, 1983 and, with the support of the shareholders, Bell Canada Enterprises Inc. became the holding corporation at the centre of a corporate family with assets now totalling $15 billion.

Establishment of the new corporation created new responsibilities and commitments: to its businesses, to its investors, to its employees and to the future economic development of Canada.

There is the commitment to the existing businesses: telecommunications operations; telecommunications manufacturing; research and development; international consulting; interconnect telecommunications sales; energy; and printing, publishing and packaging.

BCE's responsibilities to these businesses include leadership and coordination. Directors and officers of BCE are represented on the boards of subsidiary and associated companies, while the senior management of the principal subsidiaries are represented on the BCE board. This approach to board composition, involving both outside directors and senior management of all parts of the group, helps to promote consistency and unity of overall direction.

BCE also is committed to providing equity investments to further develop the positions of these businesses and to finance their expansion into new products and markets, either through internal growth or by acquisitions.

The commitment to provide equity carries with it a responsibility on the part of BCE to maintain its demonstrated access to capital markets. One of BCE's strengths is its ability to raise equity capital, not only in Canada, but also in the United States and outside of North America. BCE must maintain this confidence of investors in its securities.

Many BCE shareholders acquired their shares as a secure investment with growing dividend returns. In many cases it is their only equity investment. Other BCE shareholders own a wide selection of equity investments but they, too, have been attracted to BCE by the combination of limited risk and growing returns. These characteristics have had enduring investor appeal and BCE remains firmly committed to them.

As BCE changes, as it will in order to continue to provide the returns and growth in earnings which its shareholders have come to expect, it will be guided by principles intended to maintain investor confidence.

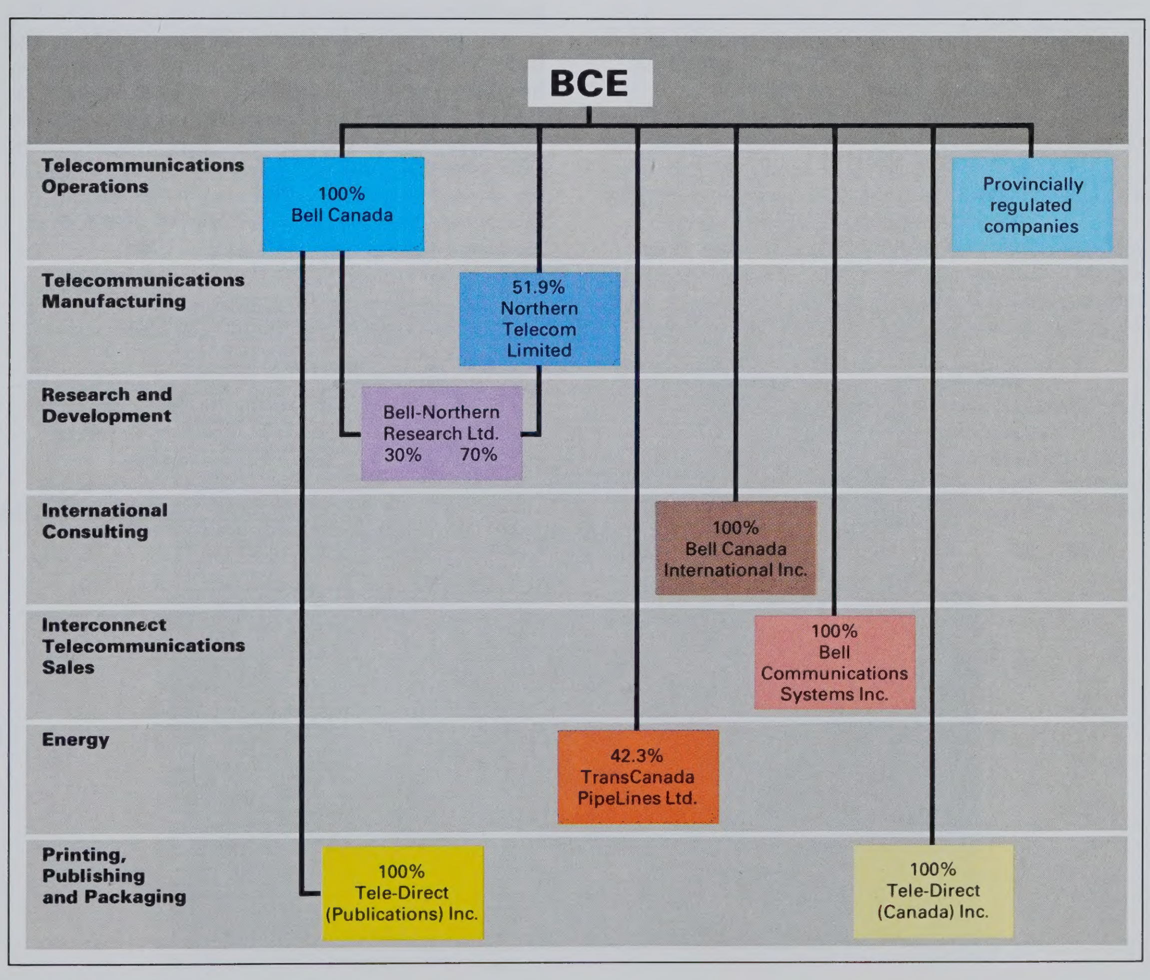
Of particular importance, the mix of BCE's businesses must be balanced so that higher dividend income from its more developed businesses is adequate to compensate for lower dividend returns from businesses in early stages of

development, or in high growth phases. Furthermore, BCE will avoid large investments in businesses which have financial characteristics fundamentally different from those of the existing businesses — for example, companies which experience severe fluctuations in earnings through an economic cycle.

Consistent with these principles, BCE entered the energy field in December, 1983 with the acquisition of its ownership position in TCPL. TCPL has exhibited consistent growth and plays an essential role in the Canadian energy sector.

The investment in TCPL is a significant commitment by BCE to western Canada and to the resource sector of the Canadian economy. As a leading Canadian company, it is important that, at the same time as other BCE businesses are expanding internationally, BCE's investment base in Canada should continue to grow.

BCE's individual corporate business components are well established and have impressive performance records in their fields. They are in the forefront of technologies, products and markets offering potential for national and international growth.



Bell Canada Enterprises Inc.

Telecommunications Operations

Bell Canada is the country's largest telecommunications company, serving Ontario, Quebec and the eastern Arctic. Its telecommunications operations, excluding directory operations, contributed $2.52 to BCE's earnings per common share in 1983. The company, wholly-owned by BCE, had net income of $590.6 million, a 13 per cent rise over 1982.

Total operating revenues climbed 10.4 per cent to $4.8 billion. About $167.6 million of the increase came from rate adjustments of six and five per cent that took effect in September 1982, and September 1983, respectively. Bell's 1983 revenues also reflected the consolidation of $102.8 million in revenues from Tele-Direct (Publications) Inc., acquired by Bell Canada as part of the corporate reorganization.

A major factor in improved profitability was the continuing measures which have contained expense growth. Total operating expenses, excluding the effect of directory operations, increased only 4.8 per cent in 1983, compared with a 15.5 per cent increase in 1982.

Forces of change

Two fundamental forces of change influenced the company's strategy in 1983. One was the continuing convergence of voice, data and image communications; the other was the increasingly competitive business environment.

The merging of technology has already made possible innovations such as Displayphone™, the first commercial product to combine voice communications with a desktop computer terminal. The day is not far off when an office worker, using a desktop terminal, will be able to exchange routinely color graphics and data, or hold a video-conference, with a colleague in a distant city.

Bell Canada, using its own digital networks and terminal equipment manufactured by Northern Telecom, is well positioned to acquire a large share of this developing market.

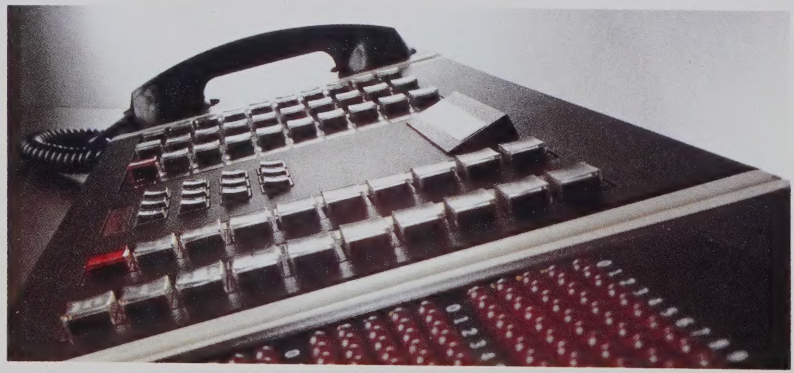
Stratoroute 2000™, a satellite-based network, will be Canada's first integrated voice-data-image service for large business users. It should be available commercially in 1984.

A color video-conferencing system, launched late in 1983, enables small groups in separate cities to hold face-to-face meetings, transmitting directly from their own premises.

Intelligent communications

In the next three years, most of Bell Canada's growth is expected to occur in long distance services and in intelligent communications, the areas where new opportunities are arising most quickly. An example of "intelligent" communications — services added to the digital network by means of software intelligence — is ENVOY 100™, the electronic mail service launched in 1982. ENVOY 100 makes it possible for any two terminals in Canada to transmit and receive messages at a fraction of the cost of voice transmission.

One of the most ambitious intelligent communications projects undertaken in recent years moved a step closer to commercial availability in July with the announcement of an iNET 2000™ market trial by the member companies



SL™ PBXs — serving 30 to 30,000 lines.

of Telecom Canada (formerly the TransCanada Telephone System.) iNET 2000 makes it possible for subscribers equipped with a simple terminal and keyboard to use on-line databases via an electronic directory.

PBX as office hub

Concurrent with the development of intelligent network services, the digital private branch exchange (PBX) is evolving into the central nervous system of the integrated electronic office. Although personal computers have impressive storage and analytical capacities, they generally can communicate only with their own kind. They have not been compatible with other office systems, such as main computers, word processors and data terminals.

With a view to eliminating these difficulties, Bell Canada entered into a joint venture trial with Northern Telecom and Sperry, in October, to test Northern's SL-1 PBX as the office hub, in conjunction with the SperryLink system. The trial will integrate word processors, personal computers, data processing and voice services both on and off the test site premises. It should yield valuable information about the marketing and technical effects of connecting equipment from different vendors to the SL-1.

Bell Canada undertook an extensive realignment of its voice, data and image services in 1983 to provide a single point of contact for all customer needs. For example, data communications sales and service personnel, who formerly operated independently, have been integrated into regional voice sales and service operations.

In addition, Bell Canada and the other members of Telecom Canada established the National Systems Group to provide one-stop, integrated telecommunications service for large accounts whose activities are national in scope.

Long distance competition

In October 1983, CNCP Telecommunications applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for permission to compete with Bell Canada and British Columbia Telephone Company for long distance calling business. Hearings on the application will take place in the fall of 1984.

Bell Canada has acknowledged that competition could lower prices for businesses and other heavy users of long distance services, but points out that local telephone service rates, heavily subsidized until now by long distance

Office computer functions can be integrated through the SL-1 PBX.

revenues, would likely rise as a result. (It costs Bell Canada $1.93 to generate $1.00 of local service revenue, versus $0.32 to generate $1.00 of long distance revenue.)

The imbalance in costs and revenues results from the provision of universal, basic service at affordable rates. Regulatory decisions, with government endorsement, have supported this practice for decades. The CRTC has decided to consider the CNCP application and other issues within the context of a general issue hearing on interexchange competition.

In March 1983, Bell Canada filed with the commission a plan for "unbundled" rates. The plan would enable Bell to establish different subscriber price structures, depending on whether they own or lease their terminal equipment. At the time of printing, the CRTC had not reported its response to the proposal.

Bell in 1983 extended its Rate Stability Plan for business subscribers. The plan offers the advantage of long term fixed rates on the capital costs of equipment and has increased the company's success rate in competitive bidding on PBXs.

Capital spending down

Because of the decline in the economy and a consequent decrease in demand for telephone services, capital expenditures were reduced in 1983 to $1,141 million from $1,417 million in 1982.

Bell Canada continues to modernize its network, investing in economical and versatile digital DMS™ switching equipment produced by Northern Telecom, and also in its fibre optics transmission systems, which carry dramatically higher loads than copper cables. The company is committed to the use of fibre optics systems for all future inter-office trunk requirements. Currently, the network contains some 16,000 kilometres of optical fibre cable.

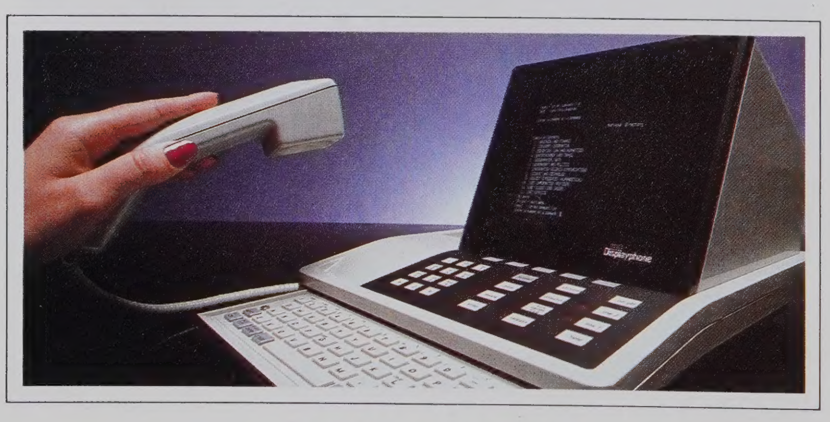
Bell Canada's investment in outside plant modernization during recent years is now yielding returns through increased reliability and reduced maintenance costs.

Tele-Direct (Publications) Inc., wholly-owned by Bell Canada, publishes directories and sells Yellow Pages™ advertising for Bell Canada and 46 other smaller Canadian telephone companies, representing 70 per cent of the country's telephone directory advertising market. The results of the operations of Tele-Direct (Publications) Inc. for the last three quarters are consolidated in Bell Canada's financial statements.

Bell Canada has equity interests of 30 per cent of Bell-Northern Research Ltd., Canada's largest industrial research laboratories; and 24.6 per cent of Telesat Canada, the country's sole operator of communications satellites.

Other telecommunications interests

BCE has a 54.4 per cent interest in Newfoundland Telephone Company Limited, 99.8 per cent of the shares of Northern Telephone Limited in Ontario, and 100 per cent of Télébec Ltée in Quebec. It also has minority holdings in Maritime Telegraph and Telephone Company, Limited (32.5 per cent), and The New Brunswick Telephone Company, Limited (32.5 per cent). As a group, these companies experienced increased revenues and earnings in 1983.



Displayphone — where voice and data converge.

Telecommunications Manufacturing

BCE's subsidiary, Northern Telecom Limited, is North America's second largest designer and manufacturer of telecommunications equipment. In 1983 it contributed $0.60 to the parent company's earnings per share.

A particularly strong showing in the United States market helped the company record a large increase in earnings in 1983. Net earnings, before extraordinary items, were $227.1 million, up 71.5 per cent from $132.4 million in 1982. DMS switches continue to be the company's most profitable product line.

Total revenues were $3,304 million, up 8.8 per cent from $3,036 million. Revenues in the U.S. accounted for 56.2 per cent ($1,856 million) of the total, passing the 50 per cent mark for the first time. Revenues in Canada declined 14.1 per cent in 1983, to $1,072 million from $1,248 million as a consequence of reduced purchasing by Canadian telephone companies.

Outside North America, Northern Telecom revenues rose 15.7 per cent in 1983 to $376.3 million, compared with $325.2 million the year before.

Sales abroad

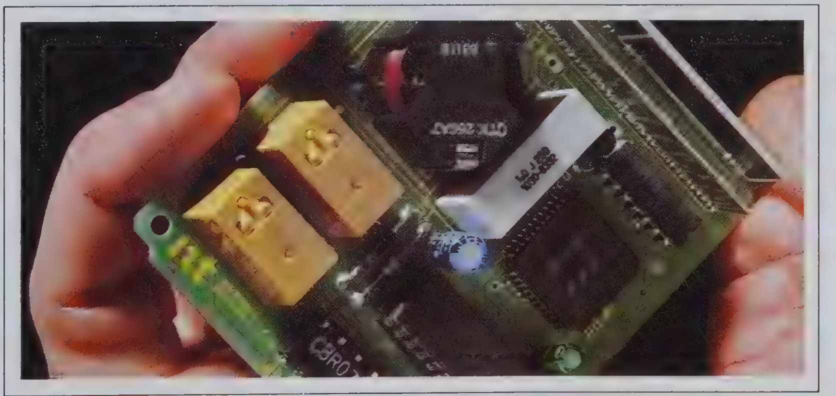
The company's largest-ever contract to supply DMS switching equipment was signed with Turkey in August. It will be worth more than $300 million over five years, beginning in 1984.

A $60 million contract to expand and update Trinidad and Tobago's telephone network with digital systems was successfully completed. Northern Telecom also became the first non-Japanese manufacturer to win an order to supply a digital central office switch to Nippon Telegraph and Telephone, the telecommunications authority of Japan.

Sales to American Telephone and Telegraph Company (AT&T) subsidiaries have been expanding for several years, a trend that the court-ordered divestiture, effective January 1, 1984, is expected to reinforce. Northern Telecom expects to do more than (US) $500 million worth of business with these companies in 1984. It is forecast that by 1985 they will be buying more as a group from Northern Telecom than will its current biggest customer, Bell Canada.

U.S. outlook bright

Agreements were signed in 1983 to supply SL PBXs to three of the seven new regional holding companies to which ownership of the former AT&T operating companies has been transferred. Northern Telecom also signed a supply contract with United Telephone System, another large American telecommunications holding company. The contract is expected to be worth more than (US) $100 million over three years beginning in 1984.



DMS switching systems are easily expandable with plug-in line cards.

With its $1.2 billion OPEN World™ program, announced in 1982, Northern Telecom remains committed to the integration of voice, data and image communication systems. OPEN World involves the evolution of established systems such as SL and DMS and the introduction of other products and capabilities to address the expanding market for improved information management.

In 1983, the company introduced a line card that allows the IBM personal computer to be used in conjunction with the SL-1 PBX over standard telephone lines. The SL-1 Displayphone can access all IBM 3270 computer applications. The SL-1's data handling capabilities also have been increased.

In addition, Northern Telecom reached agreements to ensure compatibility of its products with systems made by Hewlett-Packard and Wang.

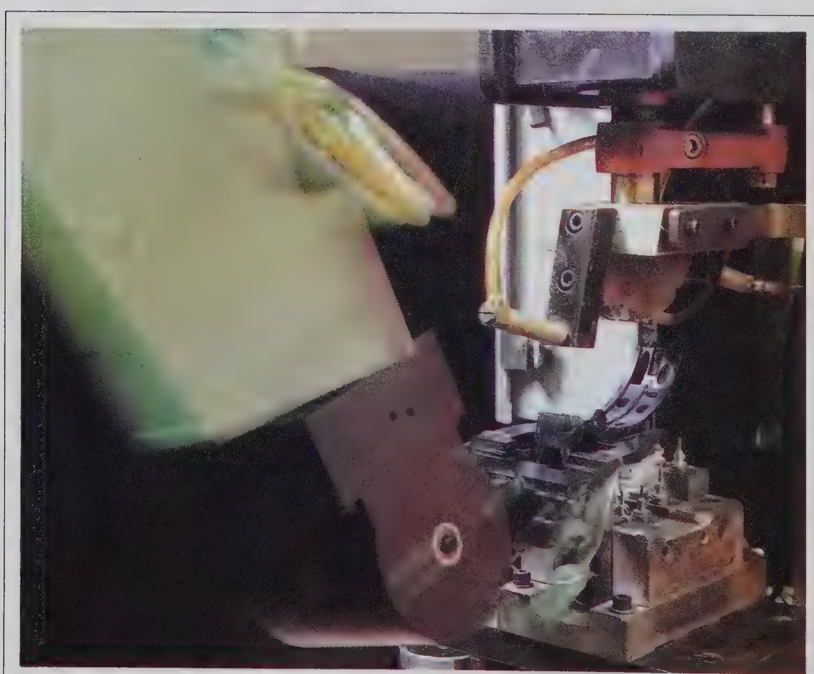
R&D spending up

Research and development spending, considered vital to maintaining Northern Telecom's technological leadership, rose in 1983 to $324.8 million, up 34.5 per cent from 1982.

Capital expenditures for plant and equipment rose 49.2 per cent to $376.9 million. The largest part of this investment went for equipment to support productivity improvement and cost reduction programs; other spending included expansion of plants, establishment of new R&D laboratories and manufacturing start-ups for new product lines.

The company's 1983 order backlog of $1,529 million was the largest for any quarter in its history, up 30.3 per cent from the total at the end of 1982. Virtually all of the current backlog is for 1984 delivery.

Northern Telecom now employs more than 39,300 people worldwide, an increase of about 4,800 employees over 1982. The company has 46 manufacturing plants in Canada, the U.S., England, the Republic of Ireland, Malaysia and Brazil.



Robotics aid productivity at
Northern Telecom.

Research and Development

Bell-Northern Research Ltd. (BNR) is the largest private industrial research and development organization in Canada. Owned 70 per cent by Northern Telecom and 30 per cent by Bell Canada, it spent $314.3 million on R&D programs in 1983, up 12.1 per cent from 1982.

Since its formation in 1958, BNR has played a vital creative role in propelling both Bell Canada and Northern Telecom into the forefront of telecommunications product development with international success stories such as the DMS and SL families of digital switches.

Numerous product enhancements and innovations were introduced in 1983. A cellular mobile radio application, which can be offered as a stand-alone system or added to existing DMS systems, went on trial in the United States and is expected to be available commercially there and in Canada in 1984.

Working in conjunction with Northern Telecom, BNR developed a microwave radio transmission system known as RD-4A™. The first customer to buy the system was MCI Communications, a common carrier company in the U.S. This advanced digital radio system was developed from customer specifications to final product in 15 months.

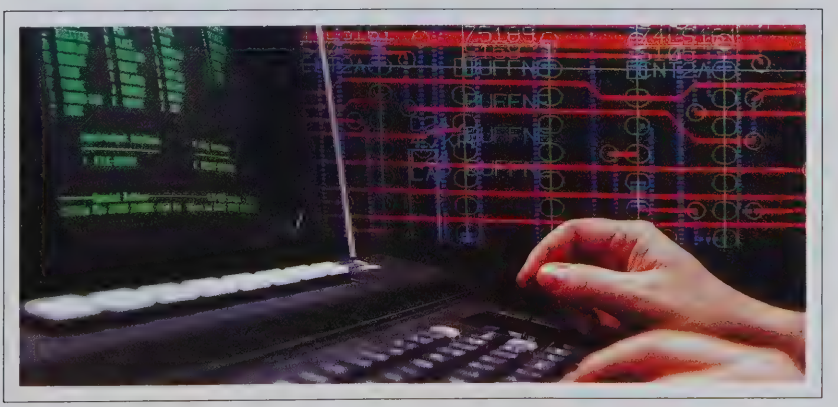
Another highlight of the year was the successful development of a voice compression unit that doubles voice transmission capacity, while retaining full speech quality. This advance has enabled Bell Canada and the other members of Telecom Canada to launch a discounted long distance service for private users on a trial basis.

Gains were also achieved in fibre optics transmission technology. Two glass fibres now have a voice carrying capacity of more than 2,000 simultaneous conversations, more than 80 times the capacity of conventional twisted-pair copper wires.

BNR's Computing Technology Group is one of a number of organizations within BNR and Northern Telecom working on the $1.2 billion OPEN World program. Formed in 1980, it has a mandate to develop a new generation of integrated workstations, terminals, microprocessors and software for the office of tomorrow. Northern Telecom expects to launch in 1984 several products based on these R&D programs.

BNR now has some 3,900 employees in research and development facilities in North America. Canadian facilities are located at Ottawa and Toronto, Ontario; Montreal, Quebec; and Edmonton, Alberta. In the U.S., BNR has laboratories at Mountain View, California; Ann Arbor, Michigan; Research Triangle Park, North Carolina; and Richardson, Texas.

A $5 million BNR laboratory was officially opened in June 1983, in Edmonton, Alberta, expanding the fibre optics research capabilities at that location. BNR also has announced plans to establish a facility near London, England.



Computer enlargements simplify the design of intricate printed circuits.

International Consulting

Bell Canada International Inc. (BCI) performed 46 contracts in 27 countries during 1983.

In May, BCI signed a contract to provide operations and management expertise to the Ministry of Post, Telegraph and Telephone of the Kingdom of Saudi Arabia. The five-year contract, estimated to be worth a total of $1.6 billion, is retroactive to December 1982 and follows upon the previous five-year agreement between the Kingdom and Bell Canada.

Since the first Canadian managers arrived in Saudi Arabia in 1977, the telephone system there has grown from 177,000 lines to more than a million. The Ministry has set a goal of two million lines by 1986. About 650 managers were resident in Saudi Arabia in 1983.

Since 1977, BCI has installed SL-1 PBX systems for various government agencies in Iraq. Activities in 1983 were sharply curtailed as Iraq's government reallocated its resources.

In Trinidad and Tobago, under terms of a two-year, $13 million contract signed in 1982, BCI is supplying operations and management support to Northern Telecom International as it modernizes and expands the country's transmission and switching network.

In the United States in 1983, BCI helped the Federal Reserve Bank establish a packet switching network to link its regional offices. Since 1979, BCI has been helping Satellite Business Systems connect its custom-tailored business communications network to the common carrier network. The U.S. Air Force also has used BCI's services in establishing its international, digitally-switched Scope Dial network.

Since 1982, BCI has operated its Executive Development Centre in Toronto. At the centre, students from around the world are taught the latest concepts in telecommunications administration. BCI is one of the few telecommunications concerns in the world to offer managerial, as well as technical, training.

Interconnect Telecommunications Sales

Bell Communications Systems Inc. (BCSI), wholly-owned by BCE, sells, maintains, installs, engineers and manages a broad range of telecommunications systems for business customers.

After three full years of operation, BCSI has installed some 75,000 service units. The total number of lines installed for customers was doubled in 1983.

The company employs about 300 people and is most active in Ontario and Quebec, the largest Canadian markets for terminal attachment. In western Canada, BCSI is represented through reciprocal business relationships with the equipment divisions of British Columbia Telephone and Alberta Government Telephones.

Canadian telecommunications skills are in international demand.

Energy

In December 1983, BCE acquired a 42.3 per cent ownership position in TransCanada PipeLines Limited (TCPL), a major gas transmission company with extensive activities in Canada and the United States.

TCPL's system transports nearly all the natural gas used in Canada east of Alberta. This area includes 70 per cent of Canada's population, and natural gas accounts for 23 per cent of all energy used.

TCPL's east-west pipeline is the longest in North America and one of the longest in the world. Alberta natural gas is moved along a 4,377 kilometre system that stretches across the Prairies, Ontario and into Quebec.

Since 1958, when it completed a natural gas transportation link between western and eastern Canada, the company has broadened its activities to include investments in other gas pipelines and in oil and gas exploration and production.

TCPL is a partner and participant in other pipeline projects in Canada and the U.S. It has a 50 per cent interest in Great Lakes Gas Transmission Company, which operates a 1,637 kilometre transmission system extending from Manitoba to Ontario via the U.S. mid-west.

TCPL also holds a 50 per cent interest in Trans Quebec & Maritimes Pipeline Inc., which owns and operates a gas transmission system extending from the Montreal area to Quebec City.

It owns a 30 per cent interest in Northern Border Pipeline, running from Saskatchewan to Iowa, and a 44 per cent interest in Foothills Pipe Lines (Sask.), which links the Northern Border line with Foothills Pipe Lines (Alta.).

TCPL's net income applicable to common shares rose 19 per cent to $191.8 million in 1983, up from $161.1 million in 1982. Operating revenues increased slightly, from $3,467 million to $3,471 million, reflecting continuing weakness in gas export markets. Because the acquisition of TCPL shares occurred so late in the year, its effect on BCE's 1983 earnings was not significant.

TransCanada PipeLines has one of the world's longest gas transmission systems.

Several developments affected the company's performance in 1983. In July, the Canadian federal cabinet prescribed gas prices which recognized rates set by the National Energy Board allowing TCPL's rate of return on gas transmission operations to increase from 13.9 per cent to 14.0 per cent. The new rates set August 1 were an average five per cent higher than previously.

In January 1984, the company applied to the National Energy Board for new rates, effective August 1, 1984. By using utility deferred income taxes, the company has kept the proposed increase to 4.5 per cent over present rates, despite a 7.3 per cent increase in costs. If granted, the application would increase the allowed rate of return on rate base from 14.0 per cent to 14.61 per cent.

Capital expenditures were down markedly in 1983. New pipeline investment will be contingent largely on the development of new export sales in the U.S. The additional investment in Canada to service this market has been estimated at $2 billion over a three to five year period.

Reserves under contract

Supplying the transportation system are natural gas reserves under contract with about 650 gas producers in western Canada. At the end of 1983, these reserves were estimated at 859 billion cubic metres (30.5 trillion cubic feet).

TCPL buys gas from producers under a total of about 2,300 contracts, most of which require payments by the company when it is unable to accept specified minimum annual quantities of gas for delivery. As the contracted supply has exceeded market demand in recent years, payments were made by TCPL for gas not taken.

With the co-operation of most of its producers, the company concluded arrangements during 1982, and again in 1983, that resulted in a financing of substantially all of these payments through a consortium of Canadian banks.

Reduced export prices

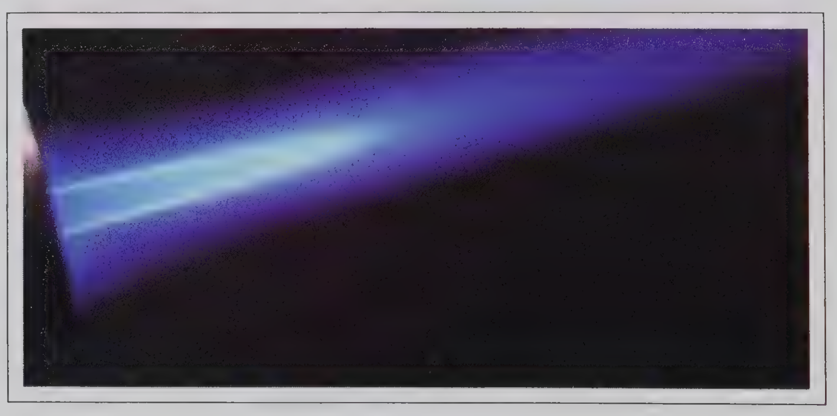
Of total 1983 revenues of $3.47 billion, approximately $568 million represented sales of gas exported to the U.S. In April 1983, the Canadian government authorized a reduction in the border price for gas export sales — from (US) $4.94 per thousand cubic feet (Mcf) to (US) $4.40. Subsequently an incentive plan was added, allowing U.S. customers to pay (US) $4.40 per Mcf for the first 50 per cent of their contract volumes and (US) $3.40 per Mcf for the remaining contract volumes.

U.S. customers have incurred substantial debts with TCPL for volumes of gas which they have not taken, but are obliged to pay for under their contracts. Amendments have been negotiated, subject to regulatory approval, giving these customers some relief from their present obligations, but requiring them to commit to certain volumes in future contract years.

Oil and gas holdings

Through a wholly-owned subsidiary, TCPL Resources Ltd., the company has extensive oil and gas land holdings in western Canada. Through other subsidiaries the company has oil and gas properties in the U.S., Indonesia, Italy, the North Sea and other areas.

TCPL Resources and TCPL's other subsidiaries participated, in varying degrees, in the drilling of 468 wells in 1982, of which 369 were productive. Oil and natural gas reserves at the end of 1982 were estimated at 87.2 million barrels of oil and 25,945 million cubic metres of natural gas.



Natural gas — a key factor in our energy future.

Bell Canada Enterprises Inc.

Printing, Publishing and Packaging

Through its subsidiaries and associated companies, Tele-Direct (Canada) Inc., wholly-owned by BCE, is one of Canada's largest commercial printers and the second largest publisher of consumer magazines. Telephone directory advertising sales operations are carried out in the United States and Australia.

All major segments of Tele-Direct (Canada) achieved substantial growth in 1983. Total revenues exceeded $280 million, an increase of nearly 15 per cent from the previous year. Net income of $16 million was up 25 per cent over 1982.

In commercial printing, Ronalds-Federated Limited operates five divisions, with some 2,300 employees in 15 plants in Canada and three sales offices in the U.S. Apart from its traditional printing operations, the company is also a major producer of packaging and cheques. Its Alphatext division is a leader in the expanding field of electronic publishing services, which make use of computer and laser technologies.

Comac Communications Limited reaches more than five million readers from coast to coast with its controlled circulation magazines — Homemaker's Magazine, Madame au foyer, Quest, City Woman and Western Living. In 1983, Comac acquired three new publications — Calgary Magazine, Edmonton Magazine and Vancouver Magazine — as well as a U.S. firm that publishes an in-flight airline magazine.

The sale of telephone directory advertising is conducted by National Telephone Directory Corporation, a wholly-owned U.S. subsidiary, and by Edward H. O'Brien Pty. Limited, a 49 per cent affiliate in Australia. Both companies have been selling Yellow Pages advertising for telephone companies under contractual arrangements now more than half a century old.

Other interests of Tele-Direct (Canada) include wood treating, commercial leasing, list brokerage and the publishing of trade periodicals.

Computerized monitors assure color quality while presses are rolling.

Consolidated income before extraordinary items in 1983 was $745.2 million ($3.46 per common share), compared with $611.5 million ($3.05 per share) in 1982 and $546.8 million ($2.95 per share) in 1981.

The 1983 income increase of 21.9 per cent was the result of the strong performance of Bell Canada in telecommunications operations and of the record financial results of Northern Telecom Limited in manufacturing. NTL's contribution reflected substantial growth in the profitability of its United States operations. BCE's consolidated results reflect a reduced contribution from international contract operations.

Earnings per share increased 13.4 per cent in 1983, compared with 3.4 per cent in 1982. These results were based on 200.3 million average common shares outstanding, compared with 181.9 million in 1982 and 173.6 million in 1981.

Bell Canada telecommunications operations (excluding directory operations) contributed $2.52 to earnings per share, compared with $2.31 in 1982 and $2.20 in 1981.

Northern Telecom, 51.9 per cent owned by BCE at the end of 1983, contributed $0.60 to earnings per share, against $0.40 in 1982 and $0.36 in 1981.

The earnings contribution from other businesses declined from $0.65 per share in 1982 to $0.60 per share in 1983, reflecting principally a decline in the contribution from international contract operations.

Consolidated earnings per common share are after deducting preferred dividend requirements equivalent to $0.26 per share in 1983, $0.31 per share in 1982 and $0.20 per share in 1981.

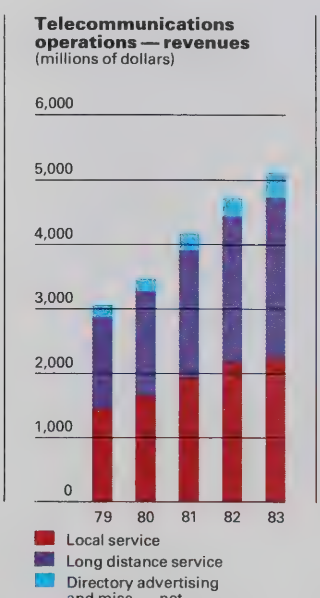
Extraordinary gains of $84.6 million ($0.42 per share), on a consolidated basis, were reported. This compared with $3.9 million ($0.02 per share) in 1982 and $8.7 million ($0.05 per share) in 1981.

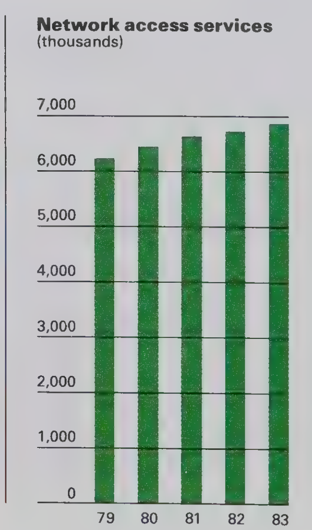
Telecommunications Operations

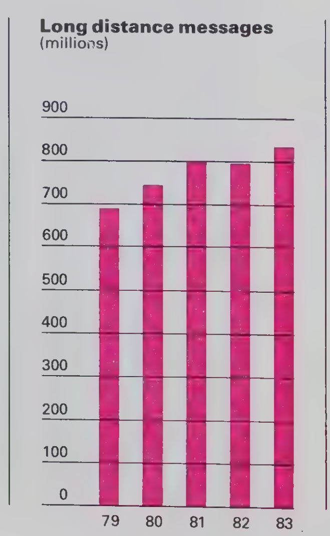
Operating revenues of Bell Canada and other telecommunications operating subsidiaries increased by $385.0 million (8.2 per cent) in 1983, by $550.9 million (13.3 per cent) in 1982, and by $683.9 million (19.8 per cent) in 1981.

Rate adjustments granted to Bell Canada of six per cent on September 1, 1982, and five per cent on September 1, 1983, accounted for approximately $167.6 million of the 1983 increase. The government of Canada, applying its program to control the rise of prices under federal jurisdiction, granted the adjustments in lieu of larger increases requested by Bell Canada from the Canadian Radio-television and Telecommunications Commission (CRTC).

Local service revenues of telephone subsidiaries in 1983 rose by $88.2 million (4.1 per cent), compared with a rise of $217.7 million (11.3 per cent) in 1982. Excluding the impact of rate increases, local revenues decreased 0.3 per cent in 1983 from 1982, and increased by 1.0 per cent in 1982 from 1981.







The rate of growth in local service revenues in 1982 and 1983 was affected by the sluggish economy and the CRTC's decision to allow subscribers to connect their own terminal equipment to Bell Canada's network.

The 1983 increase in long distance revenues was $204.7 million (9.0 per cent), compared with $304.6 million (15.4 per cent) in 1982 and $347.2 million (21.4 per cent) in 1981. Excluding the effect of rate increases, long distance revenues increased 5.8 per cent in 1983 from 1982 and 5.7 per cent in 1982 from 1981.

The number of long distance messages increased 5.3 per cent to 833.3 million, reflecting gradual economic recovery in 1983. In 1982, long distance messages had decreased 0.2 per cent from the year before.

1983 operating expenses increased by $167.3 million (4.8 per cent), compared with $454.9 million (15.1 per cent) in 1982, and $454.0 million (17.7 per cent) in 1981.

The 1983 reduction in the rate of increase of operating expenses, as compared with the previous year, reflects the continued successful application of cost containment measures.

Telecommunications Manufacturing Operations

Revenues increased by $261.8 million (8.8 per cent) in 1983, $455.5 million (18.0 per cent) in 1982 and $512.5 million (25.4 per cent) in 1981. These increases were primarily the result of volume growth rather than price increases.

The relatively modest increase in total 1983 revenues reflected reduced purchasing by Canadian telephone companies, down an estimated 19 per cent from an already depressed 1982 level.

Northern Telecom revenues in Canada declined 14.1 per cent in 1983, to $1,072 million from $1,248 million. Sales to Bell Canada were $683.0 million, down 14.3 per cent from $796.9 million. The impact on Canadian earnings was less severe than the drop in revenues because of cost-reduction and productivity improvement measures and increased manufacturing for export.

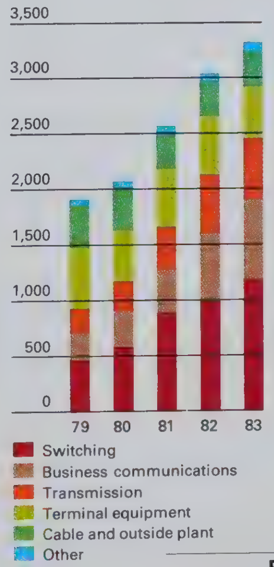
Central office switching equipment produced the most significant sales growth in 1983. Revenues from this product line rose 21.4 per cent in 1983, to $1,188.0 million from $978.7 million in 1982 and $880.0 million in 1981. The main factor in 1983 growth was strong U.S. demand for Digital Multiplex System (DMS) switches, which experienced a 73.8 per cent increase in sales. During the past three years, Northern Telecom has achieved increasing profitability for DMS switches, making these the corporation's most profitable product line.

Revenues from business communications systems, including SL digital PBXs and packet switches and key telephone systems, were up 15.1 per cent to $726.7 million in 1983, compared with $631.1 million in 1982 and $389.0 million in 1981. U.S. sales of SL-1 and SL-100 PBXs increased 15.5 per cent.

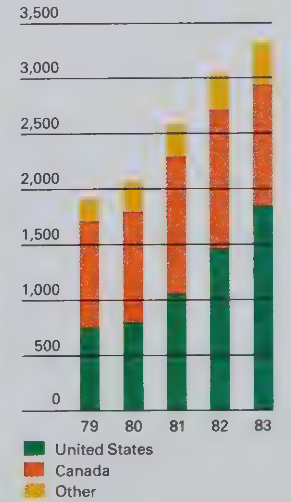
Transmission equipment revenues rose 5.6 per cent to $542.3 million, compared with $513.5 million in 1982 and $381.1 million in 1981. U.S. sales of transmission equipment were up 67.9 per cent. Revenues from terminal equipment were down 12.5 per cent to $488.6 million, compared with $558.7 million in 1982 and $548.2 million in 1981. Revenues from cable and outside plant continued to decline in 1983.

Net revenues from manufacturing operations were $297.1 million, up 46.1 per cent from $203.4 million and $182.6 million in 1982 and 1981, respectively. The

NTL revenues by product lines
(millions of dollars)



NTL revenues by geographic areas
(millions of dollars)



increase is attributable mainly to the higher profitability in central office switching and to reduced losses for products that were formerly included in the Electronic Office Systems business.

Research and Development

Consolidated research and development spending rose 25.9 per cent to $429.2 million in 1983, compared with $341.0 million in 1982 and $256.3 million in 1981.

The largest portion was expended by Northern Telecom, whose net R&D spending in 1983 was $324.8 million (10.0 per cent of manufacturing revenues); the company also spent $241.4 million (8.1 per cent of revenues) in 1982 and $181.6 million (7.2 per cent of revenues) in 1981.

This level of spending reflects Northern Telecom's intention to increase the rate of R&D spending as a percentage of revenues in order to develop new products and improve existing ones.

Bell Canada spent $104.3 million on R&D in 1983, up from $99.5 million in 1982.

Other Operations

Other operations include international consulting services; printing, publishing, packaging and other fields.

In May 1983, Bell Canada International Inc. signed a five-year management contract with the government of the Kingdom of Saudi Arabia. The contract has an estimated value of $1.6 billion. The agreement is retroactive to December 14, 1982 and follows upon a similar five-year contract with Bell Canada.

Revenues, expenses and contribution of the new contract to BCE's net income were lower in 1983 than those of the former contract in 1982. This is consistent with experience in the early stages of the original agreement. In 1984 the contribution to BCE's net income is expected to improve.

Extraordinary Items

Extraordinary gains of $84.6 million were reported in 1983. Of this sum, $62.6 million ($0.31 per share) was reported on a consolidated basis, representing an increase in book value resulting from the issue of common shares by Northern Telecom upon exercise of warrants and conversions of convertible debt securities. This amount would be reported before extraordinary items as non-operating income under U.S. practice.

Also an amount of $22.0 million, net of minority interest, ($0.11 per share) was recorded as a result of reduction of income taxes arising from the utilization of all remaining prior years' tax losses of a U.S. subsidiary of Northern Telecom.

Capital Resources

Bell Canada Enterprises Inc.

BCE issued its first equity in 1983, selling 12.6 million common shares in the Canadian, U.S. and international markets. It was the first internationally syndicated offering by a North American company. In Canada, 6.6 million shares were sold at $26.625 each; 4 million were sold in the U.S. and 2 million abroad, priced in both cases at (US) $21.70 per share. The total proceeds amounted to $335.9 million before deducting underwriting commission of $13.5 million.

From May to December 1983, BCE also raised $202.0 million of common equity, by means of the Dividend Reinvestment and Stock Purchase Plan and the Optional Stock Dividend Program. In July, $100 million was used to redeem Second Preferred Shares, Series One held by Bell Canada. In December, BCE invested $605.5 million in shares of TransCanada PipeLines Limited. This was financed through short term borrowing of $212.0 million and the remainder from internal cash resources.

Bell Canada

Gross capital expenditures totalled $1,141 million in 1983, compared to $1,417 million in 1982. It is expected that capital expenditures in 1984 will be approximately $1,250 million.

During 1983 and 1982, external financing amounted to $159 million and $462 million, respectively. For 1984, approximately three-quarters of the funding of Bell Canada's construction program is expected to be internally generated. The remainder will be financed through the redemption by BCE of a portion of its Second Preferred Shares, Series One held by Bell Canada, with additional funds expected to come from the offering of debt or preferred equity securities. Should Bell Canada seek common equity, it would be supplied by BCE.

Northern Telecom

Capital expenditures were $376.9 million in 1983, up 49.2 per cent from $252.6 million in 1982. In 1983, Northern Telecom issued 7,427,407 common shares upon exercise of warrants and conversions of outstanding convertible debt securities.

At the end of 1983, BCE held 51.9 per cent of Northern Telecom's outstanding common shares. Assuming conversion of all remaining outstanding convertible debt securities, this percentage would fall to approximately 51.2 per cent.

Northern Telecom's capital spending in 1984 is expected to be about $500 million. Capital requirements in 1984 will be met principally from cash and short term investments and internally generated funds.

Bell Canada Enterprises Inc.
December 31, 1983

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Bell Canada Enterprises Inc. and its subsidiaries, and all information in this annual report, are the responsibility of management and have been approved by the board of directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

Management of the corporation and its subsidiaries, in furtherance of the integrity and objectivity of data in the financial statements, has developed and maintains a system of internal accounting controls and supports an extensive program of internal audits. Management believes that this system of internal accounting controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies which govern ethical business conduct.

The board of directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting solely of outside directors. The audit committee reviews the corporation's annual consolidated financial statements and recommends their approval to the board of directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

These financial statements have been examined by the shareholders' auditors, Touche Ross & Co., chartered accountants, and their report is presented below.

D. R. Newman
Comptroller

Auditors' Report

The Shareholders, Bell Canada Enterprises Inc.

We have examined the consolidated balance sheets of Bell Canada Enterprises Inc. and subsidiaries as at December 31, 1983 and 1982 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1983 and 1982 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1983 in accordance with Canadian generally accepted accounting principles applied, after giving retroactive effect to the change, which we approve, in the method of accounting for foreign currency translation, as described in note 3, on a consistent basis.

Touche Ross & Co.
Chartered Accountants

Montreal, Quebec
February 15, 1984

Consolidated Income Statement
(note 1)

	For the years ended December 31	1983	1982*	1981*
			millions of dollars	
Telecommunications operations	Operating revenues	**$5,076.1**	$4,691.1	$4,140.2
	Operating expenses	**3,639.7**	3,472.4	3,017.5
	Net revenues — telecommunications operations	**1,436.4**	**1,218.7**	**1,122.7**
Manufacturing operations	Revenues (note 2)	**3,248.3**	2,986.5	2,531.0
	Cost of revenues	**2,069.7**	2,081.5	1,808.1
	Selling, general, administrative and other expenses	**881.5**	701.6	540.3
		2,951.2	2,783.1	2,348.4
	Net revenues — manufacturing operations	**297.1**	**203.4**	**182.6**
Other operations	Operating revenues	**550.3**	733.7	718.7
	Operating expenses	**473.6**	589.5	572.9
	Net revenues — other operations	**76.7**	**144.2**	**145.8**
	Total net revenues	**1,810.2**	**1,566.3**	**1,451.1**
Other income (expenses)	Allowance for funds used during construction	**22.1**	38.5	25.1
	Equity in net income of associated companies (note 4)	**24.2**	23.5	20.1
	Interest — long term debt (note 5)	**(393.4)**	(415.3)	(396.3)
	— other debt	**(25.8)**	(36.3)	(44.6)
	Unrealized foreign currency losses (notes 2 and 20)	**(12.2)**	(17.2)	(13.2)
	Miscellaneous — net	**71.0**	59.6	54.4
		(314.1)	**(347.2)**	**(354.5)**
	Income before income taxes, minority interest and extraordinary items	**1,496.1**	1,219.1	1,096.6
	Income taxes (notes 5 and 6)	**632.9**	538.7	491.1
	Income before minority interest and extraordinary items	**863.2**	680.4	605.5
	Minority interest	**118.0**	68.9	58.7
	Income before extraordinary items	**745.2**	611.5	546.8
	Extraordinary items (note 7)	**84.6**	3.9	8.7
	Net income (note 20)	**829.8**	**615.4**	**555.5**
	Dividends on first preferred shares	**52.3**	56.4	35.4
	Net income applicable to common shares	**$ 777.5**	**$ 559.0**	**$ 520.1**
Earnings per share	Earnings per common share (notes 8 and 20)			
	before extraordinary items	**$3.46**	$3.05	$2.95
	after extraordinary items	**$3.88**	$3.07	$3.00
	Assuming full dilution			
	before extraordinary items	**$3.37**	$2.97	$2.86
	after extraordinary items	**$3.76**	$2.99	$2.91
	Dividends declared per common share	**$2.105**	$1.99	$1.84
	Average common shares outstanding (thousands)	**200,349**	181,916	173,586

*Restated to reflect the accounting change referred to in note 3 and to conform with the current presentation.

The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated income statement are described and reconciled in note 20.

Bell Canada Enterprises Inc.

Consolidated Balance Sheet

(note 1)

Assets

	As at December 31	1983	1982*
		millions of dollars	
Current assets	Cash and temporary cash investments — at cost (approximates market)	$ **302.1**	$ 278.6
	Accounts receivable — principally from customers including $20.5 (1982 — $5.4) from associated companies, and less $43.0 (1982 — $34.8) for provision for uncollectibles	**1,475.4**	1,294.4
	Inventories (note 10)	**705.7**	607.0
	Other (principally prepaid expenses)	**148.9**	115.9
		2,632.1	**2,295.9**
Investments *(at equity)*	Associated companies (notes 2 and 4)	**761.9**	153.1
	Non-consolidated finance subsidiaries (notes 2 and 5)	**420.6**	422.3
		1,182.5	**575.4**
Property, plant and equipment *(note 11)*	At cost	**15,832.3**	14,831.4
	Less: Accumulated depreciation	**5,085.0**	4,618.1
		10,747.3	**10,213.3**
Other assets	Long term receivables	**83.1**	51.5
	Deferred charges — unrealized foreign currency losses, less amortization	**164.3**	166.2
	— other	**82.9**	76.7
	Cost of shares in subsidiaries in excess of underlying net assets, less amortization (note 2)	**48.2**	45.1
		378.5	**339.5**
	Total assets	**$14,940.4**	**$13,424.1**

*Restated, see note 3.

On behalf of the Board of Directors:

Marcel Bélanger
Director

Paul H. Leman
Director

Liabilities and Shareholders' Equity

	As at December 31	1983	1982*
		millions of dollars	
Current liabilities	Accounts payable	**$ 1,248.1**	$ 1,067.6
	Advanced billing and payments	**90.9**	104.0
	Dividends payable	**125.9**	107.0
	Taxes accrued	**190.1**	163.1
	Interest accrued	**103.4**	106.6
	Debt due within one year (note 12)	**414.3**	199.3
		2,172.7	**1,747.6**
Long term debt	Long term debt (including unrealized foreign currency losses) (note 13)	**4,418.2**	**4,703.3**
Deferred credits	Income taxes	**1,531.1**	1,439.8
	Other	**287.9**	226.7
		1,819.0	**1,666.5**
Minority interest in subsidiary companies	Preferred shares	**36.4**	37.3
	Common shares	**763.6**	490.2
		800.0	**527.5**
Preferred shares	Preferred shares (redeemable) (note 14)	**423.6**	**522.4**
Common shareholders' equity	Stated capital of common shares (note 15)	**2,347.6**	1,644.1
	Contributed surplus (note 15)	**1,033.5**	1,033.5
	Retained earnings	**1,902.0**	1,556.9
	Foreign exchange adjustment (note 16)	**23.8**	22.3
		5,306.9	**4,256.8**
Commitments and contingent liabilities *(notes 9 and 13)*			
	Total liabilities and shareholders' equity	**$14,940.4**	**$13,424.1**

D.R. Newman
Comptroller

Bell Canada Enterprises Inc.

Consolidated Statement of Retained Earnings

(note 1)

For the years ended December 31	1983	1982*	1981*
		millions of dollars	
Balance at beginning of year	**$1,556.9**	**$1,365.1**	**$1,164.9**
Net income	**829.8**	615.4	555.5
Excess of stated capital over cost of preferred shares purchased for cancellation (note 14)	**.2**	1.0	1.0
	2,386.9	**1,981.5**	**1,721.4**
Deduct:			
Dividends			
First preferred shares	**52.3**	56.4	35.4
Common shares	**423.9**	363.4	320.6
	476.2	**419.8**	**356.0**
Expenses of issues of share capital	**8.7**	4.8	.3
	484.9	**424.6**	**356.3**
Balance at end of year	**$1,902.0**	**$1,556.9**	**$1,365.1**

*Restated, see note 3.

Bell Canada Enterprises Inc.

Consolidated Statement of Changes in Financial Position

(note 1)

	For the years ended December 31	1983	1982*	1981*
		millions of dollars		
	Sources of cash			
Operations	Income before extraordinary items	**$ 745.2**	$ 611.5	$ 546.8
	Add expenses not requiring cash			
	Depreciation	**1,015.1**	981.9	807.7
	Deferred income taxes	**91.3**	108.2	127.4
	Other items — net	**123.9**	89.2	27.0
	Deduct income not providing cash			
	Allowance for funds used during construction	**(22.1)**	(38.5)	(25.1)
	Equity in earnings of non-consolidated finance subsidiaries	**(49.8)**	(57.0)	(59.0)
	Extraordinary items	**22.0**	3.9	—
	Total cash from operations	**1,925.6**	**1,699.2**	**1,424.8**
Changes in working capital *(note 18)*		**(102.6)**	**139.0**	**31.8**
External financing	Proceeds from long term debt	**17.0**	134.7	460.1
	Issue of common shares			
	underwritten issue	**328.0**	—	—
	Dividend Reinvestment and Stock Purchase Plan	**245.0**	104.8	86.9
	Optional Stock Dividend Program	**15.0**	11.3	8.7
	conversion of convertible preferred shares	**96.4**	67.8	87.5
	Proceeds from issue of preferred shares	—	232.5	—
	Issues of shares by subsidiaries to minority shareholders	**221.9**	19.9	5.8
	Increase (decrease) in			
	notes payable and bank advances	**203.9**	(61.1)	(18.1)
	amounts due to non-consolidated finance subsidiaries	**(59.4)**	67.7	51.0
	Dividend from a non-consolidated finance subsidiary	**54.0**	—	59.7
		1,121.8	**577.6**	**741.6**
Miscellaneous		**113.6**	**88.3**	**76.3**
	Total sources of cash	**3,058.4**	**2,504.1**	**2,274.5**
	Application of cash			
	Capital expenditures (net)	**1,572.4**	1,706.1	1,708.4
	Investments	**617.8**	12.7	8.6
	Reduction of long term debt	**243.1**	196.0	172.4
	Conversion of preferred shares	**96.4**	67.8	87.5
	Dividends declared by			
	The parent corporation	**476.2**	419.8	356.0
	Subsidiaries to minority shareholders	**29.0**	22.0	20.8
	Total application of cash	**3,034.9**	**2,424.4**	**2,353.7**
	Cash and temporary cash investments			
	Increase (decrease)	**23.5**	79.7	(79.2)
	At beginning of year	**278.6**	198.9	278.1
	At end of year	**$ 302.1**	**$ 278.6**	**$ 198.9**

*Restated, see note 3.

Notes to Consolidated Financial Statements

1. Reorganization of the Bell group of companies

In April 1983, Bell Canada carried out a previously announced reorganization (the "Reorganization") of the Bell group. The Reorganization included the transfer to Bell Canada Enterprises Inc. (hereinafter "BCE" or the "corporation") by Bell Canada of its investments (the "Investments") in most of its subsidiary and associated companies, including in particular Northern Telecom Limited, as well as an arrangement under the Canada Business Corporations Act involving the establishment of BCE as the new parent corporation of Bell Canada and other companies of the Bell group. The Investments transferred to BCE do not include Bell Canada's investments in shares of Telesat Canada and Bell-Northern Research Ltd.

Pursuant to the arrangement, holders of Bell Canada common and convertible preferred shares automatically became holders of common and convertible preferred shares of BCE on a one-for-one basis. In addition, holders of the two series of non-convertible Bell Canada preferred shares automatically became holders of convertible preferred shares of BCE on a one-for-one basis.

Effective April 28, 1983, pursuant to the Reorganization, BCE, previously a wholly-owned subsidiary of Bell Canada, succeeded Bell Canada as the new publicly-owned parent corporation. The consolidated financial statements of BCE immediately after the Reorganization are virtually identical to the corresponding statements of Bell Canada prior to the Reorganization. The Bell Canada consolidated financial statements for periods prior to the effective date of the Reorganization constitute, for comparative financial reporting purposes, the consolidated financial statements of BCE.

An effect of the Reorganization on Bell Canada immediately after the effective date was to replace the Investments with Cumulative, Redeemable, Voting Second Preferred Shares, Series One of BCE (the "Second Preferred Shares, Series One") having an aggregate issue price and redemption value of $478.7 million, being equal to the historical cost of the Investments to Bell Canada at the time of transfer. The Second Preferred Shares, Series One, which are required to be disposed of by Bell Canada or redeemed by BCE within five years of the Effective Date, have an annual dividend rate of $9 per share. On July 7, 1983, $100 million of these shares were redeemed by BCE.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and all figures are in Canadian dollars. These statements conform in all material respects with International Accounting Standards.

With respect to the consolidated financial statements of BCE, the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 20.

Consolidation

The consolidated financial statements include the accounts of all majority-owned subsidiaries, either direct or indirect, except for finance subsidiaries of Northern Telecom Limited. These non-consolidated finance subsidiaries and the investments in associated companies (20% to 50% owned) are accounted for by the equity method. The finance subsidiaries are not consolidated because their business is fundamentally different from that of the consolidated group (see note 5).

At December 31, 1983, the direct subsidiaries of BCE (all 100% owned, unless otherwise indicated) included Bell Canada, Northern Telecom Limited (51.9%), Tele-Direct (Canada) Inc., Newfoundland Telephone Company Limited (54.4%), Télébec Ltée, Northern Telephone Limited (99.8%), Bell Canada International Inc. and Bell Communications Systems Inc.

2. Accounting policies (continued)

Consolidation (continued)

The excess of cost of shares over acquired equity (goodwill) is being amortized to earnings over periods not exceeding forty years. Such amortization amounted to $2.2 million in 1983 (1982 — $1.6, 1981 — $2.8).

Telecommunications equipment purchased by Bell Canada and the other telephone subsidiaries of BCE from Northern Telecom Limited and its subsidiaries is reflected in the consolidated balance sheet at cost to the purchasing companies and is included in manufacturing revenues in the consolidated income statement. To the extent that any income related to these revenues and those from associated companies has not been offset by depreciation or other operating expenses, it remains in consolidated retained earnings and consolidated income. This practice is generally followed in regulated industries. All other significant intercompany transactions have been eliminated in the consolidated financial statements.

Manufacturing revenues comprise:

	1983	1982	1981
	millions of dollars		
Revenues from:			
Bell Canada	**$ 683.0**	$ 796.9	$ 794.6
Other telephone subsidiary and associated companies of BCE	**60.2**	67.9	77.2
Sub-total	**743.2**	**864.8**	**871.8**
Revenues from others	**2,505.1**	2,121.7	1,659.2
Total revenues	**$3,248.3**	**$2,986.5**	**$2,531.0**

Depreciation

Depreciation is generally computed on the straight line method using rates based on the estimated useful lives of the assets.

When depreciable telecommunications property is retired, the amount at which it has been carried in telecommunications property is charged to accumulated depreciation.

Depreciation expense, including amortization of property held under capital leases, for the year ended December 31, 1983 was $1,015.1 million (1982 — $981.9, 1981 — $807.7) and the composite rate was 6.86% (1982 — 7.25%, 1981 — 6.57%).

Research and development

All research and development costs incurred, which amounted to $429.2 million (1982 — $341.0, 1981 — $256.3), were charged to income.

Translation of foreign currencies

Effective January 1, 1983, the corporation adopted the recent recommendations of The Canadian Institute of Chartered Accountants for foreign currency translation. Pursuant to these recommendations, foreign operations are classified as integrated or self-sustaining.

— Transactions denominated in foreign currencies and integrated foreign operations

Current assets (excluding inventories and prepaid expenses), current liabilities and long term monetary assets and liabilities are translated at the rates in effect at the balance sheet date; whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Revenues and expenses are translated at average rates prevailing during the year, except for cost of inventory used, depreciation and amortization, which are translated at exchange rates prevailing when the related assets were manufactured or acquired. Currency gains and losses are reflected in net income of the year, except for unrealized foreign currency gains and losses on long term monetary assets and liabilities, which are reported as a deferred charge and amortized over the remaining lives of the related items on a straight line basis.

2. Accounting policies (continued)

Translation of foreign currencies (continued)
— Self-sustaining foreign operations
Assets and liabilities denominated in a foreign currency are translated in Canadian dollars at exchange rates in effect at the balance sheet date. The resulting gains or losses are accumulated in a separate component of shareholders' equity. Revenue and expense items are translated at average exchange rates prevailing during the year.

Leases
Leases are classified as capital or operating leases. When the corporation is the lessor, rental revenue from operating leases is recognized as service is provided to customers. For leases which qualify as sales-type leases, the sales revenue is recorded at the inception of the lease. When the corporation is the lessee, assets recorded under capital leases are amortized on a straight line method, using rates based on the estimated useful life of the asset or based on the lease term as appropriate. Obligations recorded under the capital leases are reduced by rental payments net of imputed interest.

Inventories
Inventories are valued at the lower of cost (calculated generally on a first-in, first-out basis) or net realizable value. The cost of finished goods and work-in-process inventories is comprised of material, labour and manufacturing overhead.

Allowance for funds used during construction
Regulatory authorities require the telephone companies to provide for a return on capital invested in new telephone plant while under construction by including an allowance for funds used during construction as an item of income during the construction period and also as an addition to the cost of the plant constructed. Such income is not realized in cash currently but will be realized over the service life of the plant.

Other operations
Other operations include consulting services provided under contract to clients, principally foreign telecommunications organizations. The accounting method generally known as percentage-of-completion is used in the determination of net income for such operations.

Income taxes
The corporation uses the tax allocation basis of accounting for income taxes.

3. Accounting change — translation of foreign currencies

In the first quarter of 1983, the corporation changed its method of accounting for translation of foreign currencies as described in note 2. This change is being applied retroactively and previously reported consolidated financial statements are being restated to give effect to this change in accounting principle. $20.7 million of consolidated retained earnings at January 1, 1983, representing prior years' net gains on translation of foreign self-sustaining subsidiaries, has been reclassified to foreign exchange adjustment for balance sheet purposes. Of the $20.7 million, $10.7 million is applicable to 1982 (1st quarter, $3.2 million; 2nd quarter, $8.9 million; 3rd quarter, $1.0 million; 4th quarter, credit of $2.4 million), $3.9 million is applicable to 1981 and the remaining $6.1 million is applicable to years prior to January 1, 1981. These amounts have been charged to income for the respective periods.

In addition, the cumulative effect arising from the translation of the net assets of self-sustaining foreign subsidiaries which amounted to $1.6 million at December 31, 1982 has also been reclassified to the foreign exchange adjustment account.

4. Investments in associated companies

BCE uses the equity method of accounting for investments in companies where the ownership ranges from 20% to 50%. Under this accounting method, BCE's proportionate share of income of such companies, from the dates of their acquisition, net of amortization of excess purchase price over net assets acquired, is taken into income and added to the cost of investments. Dividends paid to BCE by these companies reduce the carrying amounts of the investments.

The following is a summary of the investments in associated companies together with BCE's percentage of their common equity at December 31, 1983:

	1983		1982		1981	
	millions of dollars					
	Investments	Equity income	Investments	Equity income	Investments	Equity income
TransCanada PipeLines Limited (TCPL) (42.3%)	**$600.9**	**$ 2.2**	$ —	$ —	$ —	$ —
Maritime Telegraph and Telephone Company, Limited (MT&T) (32.5%) (1)	**61.1**	**9.6**	57.0	9.1	53.6	7.5
The New Brunswick Telephone Company, Limited (32.5%)	**54.7**	**8.5**	52.0	7.7	49.8	6.6
Other companies (2)	**45.2**	**3.9**	44.1	6.7	37.5	6.0
	$761.9	**$24.2**	**$153.1**	**$23.5**	**$140.9**	**$20.1**

(1) BCE owns 2,172,200 common shares of MT&T. However, under a statute passed in 1966 by the Legislature of Nova Scotia, no more than 1,000 shares may be voted by any one shareholder.

(2) Includes Telesat Canada, an associated company of Bell Canada.

Acquisition of TCPL

In December 1983, BCE acquired 19,224,596 common shares of TCPL at a cash price of $31.50 per share, which, based on shares outstanding at December 31, 1983, represents approximately 42.3% of the common equity of that company.

The fair value of TCPL's assets and liabilities will be determined as of the effective dates of BCE's investment in TCPL. BCE is in the process of determining the allocation of the purchase price based on such fair values. For the purposes of the pro forma information which follows, the results, on a historical cost basis, of TCPL have been adjusted as if the total excess of purchase price over the historical cost basis of TCPL's net assets was allocated to excess of cost over assets acquired and amortized over a period not to exceed forty years. When the determination of fair values is made, the final allocation of purchase price of TCPL's assets will be made. These amounts are likely to differ from the TCPL historical cost basis. Any such revaluation will affect future amortization of these allocated costs (including the excess of cost over the fair value of assets acquired).

4. Investments in associated companies (continued)

The following summary of the pro forma consolidated results of BCE for the years ended December 31, 1983 and 1982 also assumes that the acquisition of the investment in TCPL occurred as of January 1, 1982:

	1983	1982
Income before extraordinary items (millions of dollars)	**$784.1**	$641.8
Net income (millions of dollars)	**$868.7**	$645.7
Earnings per common share		
before extraordinary items	**$3.65**	$3.22
after extraordinary items	**$4.07**	$3.24

Results and financial position of TCPL

The following is a summary of TCPL's results for the full years 1983 and 1982 and its financial position at the end of the respective years:

	1983	1982
	millions of dollars	
Operating revenues	**$3,470.7**	$3,466.9
Net income	**$ 228.1**	$ 198.9
Net income applicable to common shares of TCPL	**$ 191.8**	$ 161.1

	December 31, 1983	December 31, 1982
	millions of dollars	
Total assets	**$5,034.5**	$4,716.9
Total liabilities	**$3,609.5**	$3,454.2
Preferred shareholders' equity	**$ 344.1**	$ 345.2
Common shareholders' equity	**$1,080.9**	$ 917.5

5. Non-consolidated finance subsidiaries

Income from operations of the finance subsidiaries of Northern Telecom Limited reduces consolidated interest on long term debt; realized foreign currency gains or losses and income taxes are included in other income — miscellaneous — net and income taxes, respectively, on the consolidated income statement.

The following is a summary of the combined financial data of these companies:

	1983	1982	1981
	millions of dollars		
Income	**$ 78.4**	$ 80.1	$108.1
Interest expense	**(11.9)**	(4.0)	(11.6)
Other expenses	**(12.3)**	(7.1)	(25.4)
Income from operations	**54.2**	69.0	71.1
Realized foreign currency gains	**4.2**	—	—
Income taxes	**(8.6)**	(12.0)	(12.1)
Net income	**$ 49.8**	**$ 57.0**	**$ 59.0**

5. Non-consolidated finance subsidiaries (continued)

	December 31, 1983	December 31, 1982
	millions of dollars	
Total assets	**$567.6**	$584.0
Total liabilities	**$147.0**	$161.7
Shareholders' equity	**$420.6**	$422.3

6. Income taxes

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1983	1982	1981
Statutory income tax rate in Canada	**48.1%**	49.5%	51.2%
(i) Allowance for funds used during construction, net of applicable depreciation adjustment	**(.3)**	(1.1)	(.7)
(ii) Reduction of Canadian Federal taxes applicable to manufacturing profits	**(.1)**	(.3)	(.2)
(iii) Equity in net income of associated companies	**(.8)**	(.9)	(.9)
(iv) Tax incentives on research and development expenditures	**(3.2)**	(1.6)	(2.0)
(v) Inventory credit	**(.3)**	(.3)	(.3)
(vi) Difference between Canadian statutory rates and those applicable to foreign subsidiaries	**(.9)**	(2.2)	(3.4)
(vii) Other	**(.2)**	1.1	1.1
Effective income tax rate	**42.3%**	**44.2%**	**44.8%**

Details of the corporation's income taxes are as follows:

	1983	1982	1981
		millions of dollars	
Income before income taxes, minority interest and extraordinary items			
Canadian	**$1,273.7**	$ 961.1	$ 870.5
Foreign	**222.4**	258.0	226.1
Total income before income taxes, minority interest and extraordinary items	**$1,496.1**	**$1,219.1**	**$1,096.6**
Income taxes			
Canadian	**$ 569.0**	$ 453.0	$ 418.6
Foreign	**63.9**	85.7	72.5
Total income taxes	**$ 632.9**	**$ 538.7**	**$ 491.1**
Income taxes			
Current	**$ 541.6**	$ 430.5	$ 363.7
Deferred	**91.3**	108.2	127.4
Total income taxes	**$ 632.9**	**$ 538.7**	**$ 491.1**

Deferred income taxes result principally from deductions for tax purposes, in respect of plant, being in excess of amounts currently charged to operations.

7. Extraordinary items

	1983	1982	1981
		millions of dollars	
(i) Reduction of income taxes, net of minority interest, arising from the utilization of prior years' tax losses of a subsidiary of Northern Telecom Limited.	**$22.0**	$3.9	$ —
(ii) Increase in book value in subsidiaries, reported on a consolidated basis, resulting principally from the issuance of common shares by Northern Telecom Limited upon exercise of warrants and conversions of convertible debt securities. Under United States practice, this amount would be reported before extraordinary items, as non-operating income.	**62.6**	—	—
(iii) Gain (net of income taxes of $19.9 million and minority interest of $7.3 million) resulting from the sale of investment in Intersil, Inc. by Northern Telecom Limited. Under United States practice, this amount would be reported before extraordinary items.	**—**	—	8.7
	$84.6	**$3.9**	**$8.7**

8. Earnings per common share

Earnings per common share are based on weighted average shares outstanding.

For the computation of the earnings per share, assuming full dilution, the dividends on dilutive convertible preferred shares have been added back to income.

9. Commitments as lessee

The future minimum lease payments under capital leases and operating leases that have initial non-cancellable lease terms in excess of one year as of December 31, 1983, are as follows:

	millions of dollars	
	Capital leases	Operating leases
1984	$ 11.7	$ 90.2
1985	11.5	50.6
1986	11.0	38.8
1987	9.4	28.9
1988	7.9	17.5
Thereafter	55.6	51.6
Total future minimum lease payments	107.1	$277.6
Less: Estimated executory costs	25.6	
Net minimum lease payments	81.5	
Less: Imputed interest	35.9	
Present value of net minimum lease payments	**$ 45.6**	

Rental expense applicable to all operating leases for the year 1983 was $166.1 million (1982 — $153.0, 1981 — $133.3).

10. Inventories

	December 31, 1983	December 31, 1982
	millions of dollars	
Raw materials	**$276.3**	$208.4
Work-in-process	**269.5**	227.9
Finished goods	**159.9**	170.7
	$705.7	**$607.0**

11. Property, plant and equipment

	December 31, 1983		December 31, 1982	
	millions of dollars			
	Cost	Net of accumulated depreciation	Cost	Net of accumulated depreciation
Telecommunications operations				
Buildings, plant and equipment	**$13,820.9**	**$ 9,420.6**	$12,992.8	$ 8,967.6
Land	**90.2**	**90.2**	89.1	89.1
Plant under construction	**274.9**	**274.9**	389.0	389.0
Material and supplies	**76.7**	**76.7**	69.0	69.0
	14,262.7	**9,862.4**	**13,539.9**	**9,514.7**
Manufacturing and other operations				
Buildings, plant and equipment	**1,535.3**	**850.6**	1,260.4	667.5
Land	**34.3**	**34.3**	31.1	31.1
	1,569.6	**884.9**	**1,291.5**	**698.6**
	$15,832.3	**$10,747.3**	**$14,831.4**	**$10,213.3**
Capitalized leases included in the above amounts	**$ 66.9**	**$ 40.2**	$ 69.3	$ 44.4

12. Debt due within one year

	December 31, 1983	December 31, 1982
	millions of dollars	
Long term debt — current portion	**$108.8**	$ 97.7
Notes payable	**264.4**	78.0
Bank advances	**41.1**	23.6
	$414.3	**$199.3**

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13. Long term debt

Bell Canada

Rate of interest	4.8-7⁷/₈%	8-9⁷/₈%	10-12³/₄%	13³/₈-16%	Total outstanding December 31, 1983
			millions of dollars		
First mortgage bonds					
Due 1984	$ 60.0	$ —	$ —	$ —	$ 60.0
1985	—	2.0	—	—	2.0
1986	35.0	2.0	—	—	37.0
1987	35.0	2.0	—	—	37.0
1988	100.0	2.0	—	—	102.0
1989-1998	449.5	487.1	130.0	—	1,066.6
1999-2004	20.0	188.0	—	—	208.0
	699.5	**683.1**	**130.0**	**—**	**1,512.6**
Debentures and notes					
Due 1985	—	—	200.0	—	200.0
1986	—	60.0	60.0	—	120.0
1987	102.7	99.9	—	—	202.6
1988	2.7	—	—	—	2.7
1989-1993	61.2	—	22.0	250.0	333.2
2002-2010	—	750.0	175.0	200.0	1,125.0
	166.6	**909.9**	**457.0**	**450.0**	**1,983.5**
Other					
Mortgage (due in instalments to 1995 — 9% interest)					30.1
Obligations under capital leases					23.2
Exchange premium less discount, at time of issue, on debt payable in U.S. funds					113.4
Unrealized foreign currency losses*					219.0
Sub-total — Bell Canada					**3,881.8**
Other subsidiaries (including $315.2 million due to non-consolidated finance subsidiaries)					**645.2**
Sub-total — consolidated					**4,527.0**
Less: Due within one year (including $33.4 million due to non-consolidated finance subsidiaries)					108.8
Total — consolidated					**$4,418.2**

*Arising from the translation of foreign currency denominated debt at rates prevailing on December 31, 1983.

The first mortgage bonds of Bell Canada are secured by a first mortgage and a floating charge of Bell Canada.

First mortgage bonds of Bell Canada include U.S. $518 million maturing from 1988 to 2004. Debentures and notes include U.S. $910 million maturing from 1986 to 2010 and 250 million Swiss Francs maturing from 1987 to 1993.

At December 31, 1983, the debt of non-consolidated finance subsidiaries of Northern Telecom Limited, due to third parties, was $62.4 million.

At December 31, 1983, the amounts of long term debt payable by the corporation in the years 1984 to 1988 are $108.8, $248.5, $203.2, $270.5 and $129.2 million, respectively.

14. Preferred shares

Authorized

The restated articles of incorporation of BCE provide for an unlimited number of first preferred shares and second preferred shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series and the conditions attaching thereto prior to their issue.

	December 31, 1983		December 31, 1982	
	dollars in millions			
Outstanding	Number of shares	Stated capital	Number of shares	Stated capital
First Preferred Shares				
$2.25 shares, series C	**1,191,390**	**$ 35.7**	1,241,000	$ 37.3
$1.80 shares, series F	**3,086,950**	**61.7**	3,141,300	62.8
$1.96 shares, series G	**511,046**	**12.8**	792,202	19.8
$2.05 shares, series H	**3,857,914**	**77.2**	8,312,381	166.3
$2.70 shares, series I	**11,808,698**	**236.2**	11,812,400	236.2
Aggregate stated capital of outstanding first preferred shares		**$423.6**		**$522.4**
Second Preferred Shares, Series One	**3,787,427***	**$378.7**	—	$ —

*These shares have an annual dividend of $9 per share. As part of the transaction referred to in note 1, $478.7 million of these shares were issued to Bell Canada. On July 7, 1983, $100 million of these shares were redeemed by BCE. These shares have a redemption value equal to their stated capital and under applicable corporate legislation have to be disposed of by Bell Canada or redeemed by BCE within five years from April 28, 1983. Upon consolidation, these shares and related dividends have been eliminated in the consolidated financial statements of BCE, because they are held by Bell Canada, a wholly-owned subsidiary.

Following is a brief summary of the material characteristics of the first preferred shares:

	Redeemable at BCE's option	Preferred to common conversion basis	Convertible to	Number of shares converted at December 31, 1983	Purchase fund requirements (f)
First Preferred Shares(a)					
$2.25 shares	Currently at $31.50 per share to Oct. 1, 1988 and at reducing amounts thereafter to $30 after Oct. 1, 2003.	1 for .84	Dec. 31, 1992	2,410 All in 1983	Annually 51,000 shares
$1.80 shares	On Oct. 2, 1986 at $21.20 per share to Oct. 2, 1991 and at reducing amounts thereafter to $20 after Oct. 2, 2006.	1 for .67	Dec. 31, 1992	7,850 All in 1983	Quarterly 26,250 shares*
$1.96 shares	For partial redemption, on May 1, 1984 at $26.50 per share to May 1, 1985 and at reducing amounts thereafter to $25 after May 1, 1990. (b)	1 for 1.2(e)	May 1, 1990	6,488,954 including 1983 — 281,156 (1982 — 828,865) (1981 — 3,158,199)	Quarterly 87,500 shares commencing in 1986

14. Preferred shares (continued)

	Redeemable at BCE's option	Preferred to common conversion basis	Convertible to	Number of shares converted at December 31, 1983	Purchase fund requirements (f)
$2.05 shares	On April 15, 1986 at $21.50 per share to April 15, 1987 and at reducing amounts thereafter to $20 after April 15, 1992.(c)	1 for 1	Apr. 15, 1992	6,142,086 including 1983 — 4,454,467 (1982 — 1,681,186) (1981 — 4,521)	Quarterly 125,000 shares commencing in 1988
$2.70 shares	On March 15, 1988 at $21.20 per share to March 15, 1989 and at reducing amounts thereafter to $20 after March 15, 1992.(d)	1 for 1	Mar. 15, 1992	3,802 including 1983 — 3,702 (1982 — 100)	(f)(ii)

(a) All the first preferred shares are convertible into common shares. The first preferred shareholders are entitled to cumulative dividends at the respective rates set out in the titles of each series and have one vote per share.

(b) Since less than 1,050,000 $1.96 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $25 per share at any time.

(c) In the event that not more than 1,500,000 $2.05 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $20 per share.

(d) In the event that not more than 1,771,875 $2.70 preferred shares remain outstanding, BCE may redeem all, but not part, of such shares at $20 per share.

(e) Effective July 7, 1983, the conversion ratio was changed from 1.213 to 1.2.

(f) Purchase funds:

Under the terms and conditions of the purchase funds,

(i) BCE shall make all reasonable efforts to purchase the required number of shares for cancellation in the open market at a price not exceeding the stated capital per share plus costs of purchase. To the extent that BCE is unable to purchase such shares, the undertaking is cumulative to a maximum of two years or eight quarters as the case may be, including the current period requirements.

At December 31, 1983,—506,200 $2.25 preferred shares had been purchased and cancelled, including 47,200 shares in 1983, for that year.

—405,200 $1.80 preferred shares had been purchased and cancelled, including 46,500 shares in 1983 which were purchased for the last quarter of 1981 and for the first two quarters of 1982.

(ii) BCE shall make all reasonable efforts to purchase for cancellation in the open market 1.25% of the $2.70 preferred shares outstanding on March 15, 1992 in each calendar quarter, commencing with the calendar quarter ending June 30, 1992, at a price not exceeding $20 per share plus costs of purchase. To the extent that BCE is unable to purchase such shares, the undertaking shall be cumulative in the calendar quarters of the same calendar year after which it shall be extinguished.

Taking into account purchases to December 31, 1983, the maximum aggregate stated capital of shares that BCE may be required to purchase, if available pursuant to the terms of the purchase funds, in the years 1984 to 1988 are $7.1, $3.6, $12.4, $7.7 and $13.6 million, respectively.

15. Common shares

Authorized: an unlimited number of common shares

	December 31, 1983		December 31, 1982	
	dollars in millions			
	Number of shares	Stated capital	Number of shares	Stated capital
Outstanding	**215,037,782**	**$2,347.6**	**187,681,334**	**$1,644.1**

The outstanding common shares at December 31, 1983 include 192,501,556 shares issued on April 28, 1983 to the then common shareholders of Bell Canada in exchange for their Bell Canada common shares on a one-for-one basis (see note 1) for a total consideration of $4,337.0 million. Of that amount $1,749.9 million was credited to the stated capital account, $1,033.5 million to contributed surplus and $1,553.6 million to retained earnings in order to reflect the same amounts in the respective captions of BCE as in the consolidated financial statements of Bell Canada immediately prior to the Reorganization.

Any information relating to shares issued before the effective date of the Reorganization refers to shares of Bell Canada.

Number of common shares issued during the last three years are as follows:

	1983	1982	1981
For cash			
Underwritten issue	**12,600,000**	—	—
Shareholder Dividend Reinvestment and Stock Purchase Plan	**8,752,125**	5,507,933	4,856,378
Employees' Savings Plan (1966)	**629,364**	585,410	542,367
Conversion of preferred shares	**4,804,639**	3,509,399	4,309,345
Optional Stock Dividend Program*	**570,320**	597,677	470,085
	27,356,448	**10,200,419**	**10,178,175**

*Under the Optional Stock Dividend Program, shareholders may elect to receive dividends on common shares in the form of additional common shares.

Common shares reserved at December 31, 1983 — 29,222,645:

5,648,582 shares for issuance under the Shareholder Dividend Reinvestment and Stock Purchase Plan.

946,246 shares for issuance under the Employees' Savings Plan (1966).

19,348,892 shares for issuance upon conversion of all convertible preferred shares.

3,278,925 shares for issuance under the Optional Stock Dividend Program.

16. Foreign exchange adjustment

The following is an analysis of the foreign exchange adjustment account:

	1983	1982	1981
		millions of dollars	
Balance at beginning of year	**$22.3**	$ 9.8	$13.8
Translation adjustments for the year	**1.5**	12.5	(4.0)
Balance at end of year	**$23.8**	$22.3	$ 9.8

17. Unused bank lines of credit

At December 31, 1983, unused bank lines of credit, generally available at the prime bank rate of interest, amounted to approximately $1,147 million.

18. Changes in working capital

Cash provided (applied) by changes in other working capital components:

	1983	1982	1981
		millions of dollars	
(Increase) decrease in current assets:			
Accounts receivable	**$(181.0)**	$ (20.4)	$(212.7)
Inventories	**(98.7)**	32.5	(61.6)
Other current assets	**(33.0)**	(32.8)	25.9
Increase (decrease) in current liabilities:			
Accounts payable	**180.5**	149.9	100.1
Advanced billing and payments	**(13.1)**	20.9	13.7
Dividends payable	**18.9**	11.8	10.1
Taxes accrued	**27.0**	(23.7)	149.4
Interest accrued	**(3.2)**	.8	6.9
	$(102.6)	**$139.0**	**$ 31.8**

19. Quarterly financial data

Summarized consolidated quarterly financial data (in millions of dollars except per share amounts):

	Three months ended			
1983	Mar. 31	June 30	Sept. 30	Dec. 31
Telecommunications operations				
Operating revenues	$1,198.7	$1,234.4	$1,258.0	$1,385.0
Net revenues	319.2	335.8	374.1	407.3
Manufacturing operations				
Revenues	762.8	799.6	727.2	958.7
Gross profit	257.9	298.1	274.8	347.8
Net revenues	71.2	80.1	59.8	86.0
Other operations				
Operating revenues	74.3	208.9	121.8	145.3
Net revenues	4.9	39.2	17.9	14.7
Total revenues	**2,035.8**	**2,242.9**	**2,107.0**	**2,489.0**
Income before extraordinary items	151.8	188.1	186.8	218.5
Net income	183.9	198.3	198.7	248.9
Net income applicable to common shares	170.0	185.1	185.9	236.5
Earnings per common share				
before extraordinary items	$.73	$.91	$.84	$ .98
after extraordinary items	$.90	$.96	$.90	$1.12
Assuming full dilution				
before extraordinary items	$.71	$.88	$.82	$ .95
after extraordinary items	$.87	$.93	$.87	$1.08
Average common shares outstanding (thousands)	189,667	192,716	207,304	211,392

19. Quarterly financial data (continued)

	Three months ended			
1982 (Restated, see note 3)	Mar. 31	June 30	Sept. 30	Dec. 31
Telecommunications operations				
Operating revenues	$1,142.2	$1,141.3	$1,183.1	$1,224.5
Net revenues	302.9	279.7	304.2	331.9
Manufacturing operations				
Revenues	706.6	778.5	727.9	773.5
Gross profit	209.4	217.8	219.7	258.1
Net revenues	57.9	47.3	39.6	58.6
Other operations				
Operating revenues	192.8	182.1	192.3	166.5
Net revenues	39.1	31.6	41.2	32.3
Total revenues	**2,041.6**	**2,101.9**	**2,103.3**	**2,164.5**
Income before extraordinary item	156.3	134.7	155.0	165.5
Net income	156.3	134.7	156.2	168.2
Net income applicable to common shares	146.6	118.7	140.5	153.2
Earnings per common share				
before extraordinary item	$.82	$.66	$.76	$.81
after extraordinary item	$.82	$.66	$.77	$.82
Assuming full dilution				
before extraordinary item	$.80	$.65	$.74	$.79
after extraordinary item	$.80	$.65	$.74	$.80
Average common shares outstanding (thousands)	178,697	180,348	182,985	185,548

20. Results reported in accordance with generally accepted accounting principles (GAAP) in Canada reconciled with United States GAAP

(in millions of dollars except per share amounts)

	Three months ended			
1983	Mar. 31	June 30	Sept. 30	Dec. 31
Income before extraordinary items, as reported	$151.8	$188.1	$186.8	$218.5
Adjustments				
Foreign exchange (1)	2.0	11.2	(3.0)	(8.9)
Extraordinary items (2)	27.9	5.7	7.4	21.6
Income before extraordinary items — U.S. GAAP	181.7	205.0	191.2	231.2
Extraordinary items	4.2	4.5	4.5	8.8
Net income — U.S. GAAP	**$185.9**	**$209.5**	**$195.7**	**$240.0**
Earnings per common share — U.S. GAAP				
before extraordinary items	$.89	$1.00	$.87	$1.04
after extraordinary items	$.91	$1.02	$.89	$1.08

20. Results reported in accordance with generally accepted accounting principles (GAAP) in Canada reconciled with United States GAAP (continued)

(in millions of dollars except per share amounts)

	Three months ended			
1982	Mar. 31	June 30	Sept. 30	Dec. 31
Income before extraordinary item, as reported	$156.3	$134.7	$155.0	$165.5
Adjustment of foreign exchange (1)	(42.1)	(63.2)	75.7	1.8
Income before extraordinary item — U.S. GAAP	114.2	71.5	230.7	167.3
Extraordinary item	—	—	1.2	2.7
Net income — U.S. GAAP	**$114.2**	**$ 71.5**	**$231.9**	**$170.0**
Earnings per common share — U.S. GAAP				
before extraordinary item	$.58	$.31	$1.17	$.82
after extraordinary item	$.58	$.31	$1.18	$.83

	Year ended December 31		
	1983	1982	1981
Income before extraordinary items, as reported	**$745.2**	$611.5	$546.8
Adjustments			
Foreign exchange (1)	**1.3**	(27.8)	21.0
Extraordinary items (2)	**62.6**	—	8.7
Income before extraordinary items — U.S. GAAP	**809.1**	583.7	576.5
Extraordinary items (note 7 (i))	**22.0**	3.9	—
Net income — U.S. GAAP	**$831.1**	**$587.6**	**$576.5**
Earnings per common share — U.S. GAAP			
before extraordinary items	**$3.78**	$2.90	$3.12
after extraordinary items	**$3.89**	$2.92	$3.12

(1) Difference arising from the method of accounting, under Canadian GAAP, for unrealized foreign currency gains and losses on long term debt and United States Financial Accounting Standards Board's Statement No. 52 — Foreign Currency Translation.

(2) These amounts, reported as extraordinary items in accordance with Canadian GAAP, would be reported before extraordinary items under U.S. GAAP (see note 7 (ii) and (iii)).

21. Pensions

BCE and most of its subsidiary companies have non-contributory defined benefit plans which provide for service pensions based on length of service and rates of pay for substantially all their employees.

The policy is to fund pension costs through contributions based on various actuarial cost methods as permitted by pension regulatory bodies. Such costs are funded as accrued and reflect actuarial assumptions regarding salary projection and future service benefits. The provision for pension costs was $271.8 million for the year ended December 31, 1983 (1982 — $270.6, 1981 — $236.5).

21. Pensions (continued)

In compliance with the United States Financial Accounting Standards Board's Statement No. 36, the disclosure of the following information is required to exclude actuarial assumptions regarding salary projection and future service benefits. A comparison of accumulated plan benefits and plan net assets is provided as follows:

	December 31, 1982	December 31, 1981
	millions of dollars	
Actuarial present value of accumulated plan benefits		
Vested	$2,197.2	$1,889.1
Non-vested	354.0	299.1
	$2,551.2	**$2,188.2**
Net assets available for benefits — at market value	**$3,131.0**	**$2,357.5**

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7% for both 1982 and 1981.

22. Industry segments information

BCE and its subsidiaries operate principally in two reportable business segments:

1) Telecommunications operations, which includes the provision of voice, data, image, radio and television transmission, public exchange and private line teletypewriter and other telecommunications services, including directory operations; and

2) Telecommunications equipment manufacturing, which involves the design, development, manufacture, and marketing of central office switching equipment, business communications systems, transmission equipment, cable and outside plant products, terminal equipment, and other telecommunications products and services.

In addition, "Other" includes international consulting services; printing, publishing, packaging and other fields.

The following table sets forth revenues, net revenues and supplementary data for each of the corporation's business segments for the years ended December 31:

	1983	1982	1981
		millions of dollars	
By segment			
Revenues			
Telecommunications operations	**$5,076.1**(a)	$4,691.1(a)	$4,140.2(a)
Telecommunications equipment manufacturing	**3,248.3**(b)	2,986.5(b)	2,531.0(b)
Other	**550.3**	733.7	718.7
	$8,874.7	**$8,411.3**	**$7,389.9**
Intersegment revenues			
Telecommunications operations	**$ —**	$ —	$ —
Telecommunications equipment manufacturing	**55.7**	49.0	39.9
Other	**55.1**	44.8	35.9
Eliminations	**(110.8)**	(93.8)	(75.8)
	$ —	$ —	$ —

22. Industry segments information (continued)

	1983	1982	1981
		millions of dollars	
By segment			
Total revenues			
Telecommunications operations	**$ 5,076.1**	$ 4,691.1	$ 4,140.2
Telecommunications equipment manufacturing	**3,304.0**	3,035.5	2,570.9
Other	**605.4**	778.5	754.6
Eliminations	**(110.8)**	(93.8)	(75.8)
	$ 8,874.7	**$ 8,411.3**	**$ 7,389.9**
Total net revenues			
Telecommunications operations	**$ 1,416.6**	$ 1,211.5	$ 1,121.5
Telecommunications equipment manufacturing	**306.8**	208.0	182.8
Other	**86.8**(a)	146.8(a)	146.8(a)
	$ 1,810.2	**$ 1,566.3**	**$ 1,451.1**
Identifiable assets			
Telecommunications operations	**$10,571.1**	$10,090.2	$ 9,408.6
Telecommunications equipment manufacturing	**2,213.2**	1,797.0	1,716.5
Other	**536.2**	577.6	553.0
Eliminations	**(198.8)**	(164.1)	(132.0)
	13,121.7	12,300.7	11,546.1
Investments	**1,182.5**	575.4	493.4
General corporate assets	**636.2**(c)	548.0(c)	411.7(c)
Total assets as at December 31	**$14,940.4**	**$13,424.1**	**$12,451.2**
Depreciation			
Telecommunications operations	**$ 849.4**	$ 799.0	$ 680.4
Telecommunications equipment manufacturing	**156.0**	175.1	120.7
Other and general corporate	**9.7**	7.8	6.6
Total depreciation	**$ 1,015.1**	**$ 981.9**	**$ 807.7**
Gross capital expenditures			
Telecommunications operations	**$ 1,211.1**	$ 1,496.0	$ 1,481.5
Telecommunications equipment manufacturing	**376.9**	252.6	209.6
Other and general corporate	**9.1**	11.0	22.8
Total capital expenditures	**$ 1,597.1**	**$ 1,759.6**	**$ 1,713.9**

22. Industry segments information
(continued)

The following table sets forth information by geographic area for the years ended December 31:

	1983	1982	1981
		millions of dollars	
By geographic area(d)			
Revenues			
Canada	**$6,506.9**	$6,221.2	$5,607.6
U.S.A.	**1,929.1**	1,512.4	1,080.6
Other	**438.7**	677.7	701.7
	$8,874.7	**$8,411.3**	**$7,389.9**
Transfers between area			
Canada	**$ 520.2**	$ 249.9	$ 160.2
U.S.A.	**65.9**	93.8	85.3
Other	**19.7**	17.1	15.5
Eliminations	**(605.8)**	(360.8)	(261.0)
	$ —	$ —	$ —
Total revenues			
Canada	**$7,027.1**	$6,471.1	$5,767.8
U.S.A.	**1,995.0**	1,606.2	1,165.9
Other	**458.4**	694.8	717.2
Eliminations	**(605.8)**	(360.8)	(261.0)
	$8,874.7	**$8,411.3**	**$7,389.9**
Total net revenues before research and development expenses			
Canada	**$1,927.0**	$1,684.2	$1,535.6
U.S.A.	**387.4**	198.4	124.1
Other	**77.4**	151.4	149.3
Eliminations	**—**	(.4)	(1.0)
	2,391.8	2,033.6	1,808.0
Research and development expenses	**(429.2)**	(341.0)	(256.3)
General corporate expenses	**(152.4)**	(126.3)	(100.6)
Other income (expenses)	**(314.1)**	(347.2)	(354.5)
Income before income taxes, minority interest and extraordinary items	**$1,496.1**	**$1,219.1**	**$1,096.6**

22. Industry segments information (continued)

	1983	1982	1981
		millions of dollars	
By geographic area(d)			
Identifiable assets			
Canada	**$11,926.8**	$11,187.2	$10,352.0
U.S.A.	**1,324.4**	1,128.2	877.8
Other	**528.5**	565.5	539.5
Eliminations	**(658.0)**	(580.2)	(223.2)
	13,121.7	12,300.7	11,546.1
Investments	**1,182.5**	575.4	493.4
General corporate assets	**636.2**(c)	548.0(c)	411.7(c)
Total assets as at December 31	**$14,940.4**	**$13,424.1**	**$12,451.2**

(a) Telecommunications operations segment revenues include $0.2 million (1982 — $34.6, 1981 — $29.8) consisting principally of contract service agreement revenues and contribution to overhead, which are also included as operating expenses in Other net revenues. These items are not eliminated on consolidation.

(b) Telecommunications equipment manufacturing includes revenues of $743.2 million (1982 — $864.8, 1981 — $871.8) from Bell Canada and other telephone subsidiary and associated companies of BCE. These revenues are not eliminated on consolidation. Telecommunications equipment manufacturing revenues of Northern Telecom Limited from Bell Canada are at sale prices and terms as low as those offered to the most favored customers of Northern Telecom Limited for like materials and services under comparable conditions.

(c) General corporate assets are principally cash, temporary cash investments and deferred unrealized foreign currency losses.

(d) The point of origin (the location of the selling organization) of revenues and the location of the assets determine the geographic area.

Supplementary Information Reporting the Effects of Changing Prices

(unaudited)

The effects of changing prices are not fully and immediately evident in conventional historical cost financial statements. The Canadian Institute of Chartered Accountants (CICA) has recently adopted recommendations with respect to disclosure of supplementary information to report certain effects of changing prices on an enterprise.

Bell Canada Enterprises Inc. (BCE) recommends caution in interpreting these disclosures for the following reasons:

(i) The CICA's current cost reporting standards are still in an experimental state. To date, no general consensus has emerged on the concepts, interpretation, or usefulness of the information. BCE believes that, while the data may provide insights into the operations of the corporation, they may not be suitable for purposes of valuation of the corporation or its assets, or for reformulation into traditional financial measures or ratios.

(ii) The determination of current costs is a subjective process. It is based on management's estimates and assumptions regarding replacement costs, impacts of technology and price movements. Intercompany comparability, even within an industry, may not be achievable in the near term.

Application of Current Cost Accounting to BCE

For BCE, the primary difference between historical cost and current cost accounting arises from the corporation's large investment in property, plant and equipment, particularly its long-lived telecommunications property. Lesser impacts arise from manufacturing plant and equipment and inventories.

In the measurement of income, historical cost depreciation expense and cost of revenues are techniques used to allocate the original cost of fixed assets and inventories over a number of periods in which they generate revenues. Current cost accounting views depreciation expense and cost of revenues as means of setting aside funds for the eventual replacement of a company's physical capacity. The measurement of income on a current cost basis therefore, provides an indication of the corporation's ability to maintain its level of operating capability.

Rate regulated enterprises, including those companies in the BCE group which provide telecommunications services, are subject to a regulatory process which has the objective of setting reasonable rates. This process includes the recognition of the necessity of maintaining their ability to satisfy public demand for telecommunications services, even though it may recognize only historical cost depreciation. Through the regulatory process, rates are set at levels which should enable BCE's regulated companies to earn a fair and reasonable return on their invested capital and thus to attract the amounts of capital necessary to meet their service obligations to customers. BCE therefore, has no reason to expect that the maintenance of its operating capability will become impaired and considers that the disclosure of the current cost of its assets is appropriate for the purposes of the CICA.

Measurement Techniques

A number of measurement techniques have been used to determine the current cost of property, plant and equipment; during the experimentation period, further refinements in these techniques are expected. The techniques include externally and internally produced price indexes, appraisals, direct and reference pricing techniques, and engineering estimates of the impact of significant technological change. These engineering estimates reflect the differences between the capital cost of existing and replacement equipment, differences in the capital cost of related plant and differences resulting from the capitalization of operating expense changes. In the case of BCE's telecommunications subsidiaries, digital equipment has been determined as the replacement vehicle for all central office equipment in recognition of its technological superiority. The depreciation rates used reflect the same methods and estimated lives as are used in the historical cost financial statements.

The cost of revenues adjustment reflects the general movement in the costs of manufacturing inputs between the dates of their purchase or application to manufacturing processes and the dates of sale of the related finished products. Inventories on hand at the end of the year are revalued at the costs of manufacturing inputs prevailing at that date. The calculations are based on indexes generated as part of the ongoing management control process.

Supplementary Information Recommended by CICA

The following table presents BCE's consolidated income applicable to common shareholders on a current cost basis under an operating capability concept of capital, for the year 1983 (with comparative data for 1982 expressed in average 1983 dollars). The reconciliation format identifies the nature of adjustments to the historical cost income statement.

Bell Canada Enterprises Inc.

Consolidated Income Applicable to Common Shareholders on a Current Cost Basis Under an Operating Capability Concept of Capital

(unaudited)

For the years ended December 31	1983	1982*
	millions of dollars	
The historical cost statements (page 21) reported net income applicable to common shares of	$ 777.5	$ 591.3
Deduct extraordinary items	(84.6)	(4.1)
Resulting in income (before extraordinary items) applicable to common shareholders on a historical cost basis of	692.9	587.2
For purposes of this reconciliation add back		
— Dividends on first preferred shares	52.3	59.7
— Income taxes	632.9	569.7
Resulting in net income before income taxes, dividends on first preferred shares and extraordinary items, as reported in the historical cost income statement of	1,378.1	1,216.6
From this, deduct an additional provision for replacing operating capability consumed during the year —		
Additional depreciation expense resulting from recognizing the current cost of property, plant and equipment (a)	(304.2)	(278.7)
And the impact of cost of revenues at current cost (a)	5.8	(12.4)
This is the amount of the "Current Cost Adjustments" for the year	(298.4)	(291.1)
However, the impact of these adjustments may be reduced. Since it is the corporation's practice to finance its assets in part with borrowed funds, the need for the common shareholders to provide all the funds necessary to maintain the operating capability may be alleviated, in part, by borrowings — the "Financing Adjustment" which is further discussed under item (i) below	84.5	93.5
The net income from investments in associated companies is accounted for on an equity basis. Therefore, similar adjustments have reduced BCE's portion of that net income by this amount.	(7.3)	(4.9)
Leaving this amount for income taxes and the shareholders	1,156.9	1,014.1
From this, deduct the income taxes as reported in the historical cost financial statements. The present taxation system does not recognize these adjustments.		
Current portion of income taxes	(541.6)	(455.2)
Deferred portion	(91.3)	(114.5)
	(632.9)	(569.7)
Leaving this amount of income before minority shareholders' interests	524.0	444.4
The minority shareholders also bear their portion of the above adjustments	5.4	16.3
Deduct dividends on first preferred shares	(52.3)	(59.7)
Leaving income (before extraordinary items) applicable to common shareholders on a current cost basis under an operating capability concept of capital of	$ 477.1	$ 401.0

(a) Current cost at December 31, 1983 of property, plant and equipment, net of accumulated depreciation was $15,350.5 million ($15,156.0 million in 1982†) compared to historical cost of $10,747.3 million ($10,213.3 million in 1982). Current cost of inventories was $705.0 million ($651.7 million in 1982†) compared to historical cost of $705.7 million ($607.0 million in 1982).

* Restated in average 1983 dollars.

† Restated in December 1983 dollars.

Additional Information

The CICA's recommendations include the disclosure of the following information:

	1983	1982*
	millions of dollars	
Current cost of property, plant and equipment and inventories held during the year increased by this amount	**$579.1**	$1,120.2
Had it increased at the rate of general inflation, as measured by Statistics Canada's Consumer Price Index, this amount would have been	**$687.4**	$1,349.6
Which means that the increase for the year in the specific prices of the corporation's property, plant and equipment and inventories was less than the general inflation increase by this amount	**$108.3**	$ 229.4

This difference of $108.3 million ($229.4 million in 1982*) is due to the assumed application of new technologies, which are instrumental in dampening the effects of price changes, and to the price movements of the specific items and materials included in the corporation's property, plant and equipment and inventories.

The CICA's recommendations also include the disclosure of the following information during the experimental period:

(i) The financing adjustment is an amount that is added back when determining income applicable to common shareholders on a current cost basis under an operating capability concept of capital. The CICA recommends that the financing adjustment be calculated in two ways:
- — first, by reference to the $579.1 million of changes during 1983 ($1,120.2 million in 1982*) in the current cost of property, plant and equipment and inventories which results in a financing adjustment of $163.9 million in 1983 ($359.9 million in 1982*); and
- — second, by reference to the increase in the depreciation and cost of revenues charged for current cost purposes of $298.4 million in 1983 ($291.1 million in 1982*) which results in a financing adjustment of $84.5 million in 1983 ($93.5 million in 1982*).

(ii) For the corporation as a whole, without attribution of income to common shareholders, income on a current cost basis would not include the financing adjustment and would consist of:

	1983	1982*
	millions of dollars	
Historical cost net income (before extraordinary items) as reported on page 21	**$ 745.2**	**$ 646.8**
Less: Current cost adjustments for depreciation and cost of revenues	**(298.4)**	(291.1)
Less: Adjustments for net income of associated companies on an equity basis (exclusive of a financing adjustment)	**(11.2)**	(7.9)
Add: Minority shareholders' portion of the above adjustments	**5.4**	16.3
Income on a current cost basis	**$ 441.0**	**$ 364.1**

(iii) Net assets on a historical cost basis amounted to $5,306.9 million at the end of 1983 ($4,256.8 million for 1982); after restatement for the common shareholders' interest in the current cost of the corporation's property, plant and equipment and inventories, net assets amounted to $9,922.3 million ($8,980.3 million in 1982†).

(iv) The gain in general purchasing power (using Statistics Canada's Consumer Price Index) that resulted from holding net monetary liabilities (including non-participating preferred shares but excluding deferred income taxes) during 1983 was $194.9 million ($425.7 million in 1982*). However, this gain does not provide funds to the corporation.

* Restated in average 1983 dollars.

† Restated in December 1983 dollars.

Canadian Taxes on Foreign Investors

Income Taxes
Dividends paid or credited to non-residents of Canada on BCE shares are subject to withholding tax at 25 per cent, unless reduced by treaty. Stock dividends paid pursuant to the BCE Optional Stock Dividend Program are generally exempt from Canadian withholding tax.

Under the present United States-Canada Income Tax Convention, a withholding tax of 15 per cent applies to BCE dividends paid or credited to individuals residing in the United States, or corporations organized under the laws of the United States, that do not have a "permanent establishment" in Canada.

Gains on disposals of BCE shares by a non-resident of Canada are generally not subject to Canadian income tax unless realized by the holder in connection with a business (including an "adventure in the nature of trade") carried on in Canada.

Estate and Succession Duties
There are no estate taxes or succession duties imposed by Canada or any province of Canada with the exception of succession duties in the province of Quebec. No Quebec succession duties are payable in respect of the transmission, by reason of death of the holder, of BCE shares situated outside Quebec to a beneficiary who at the time of death is neither domiciled nor resident in such province.

Price Ranges of Common Shares

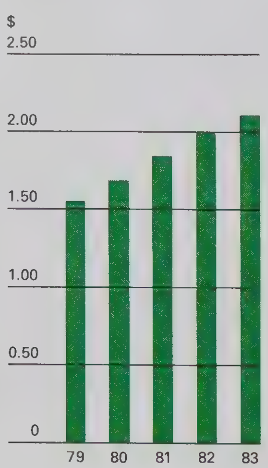
	1983		1982	
	High	**Low**	High	Low
Montreal and Toronto				
1st quarter	**$25 7/8**	**$22 1/8**	$19 1/4	$17 1/4
2nd quarter	**28 1/8**	**25**	20 3/8	17 1/2
3rd quarter	**29 3/4**	**25 3/4**	19 1/4	16 5/8
4th quarter	**33 3/4**	**28 7/8**	24 1/2	18 7/8
NYSE consolidated tape (US $)				
1st quarter	**$21 1/8**	**$18 1/8**	$16 1/4	$14 1/4
2nd quarter	**22 7/8**	**20 1/4**	16 3/8	13 1/2
3rd quarter	**24 1/8**	**20 7/8**	15 1/2	13 1/4
4th quarter	**27 1/8**	**23 1/2**	19 3/4	15 1/4

Quarterly dividends of $0.52 per common share were paid in 1983 ($0.49 — 1982).

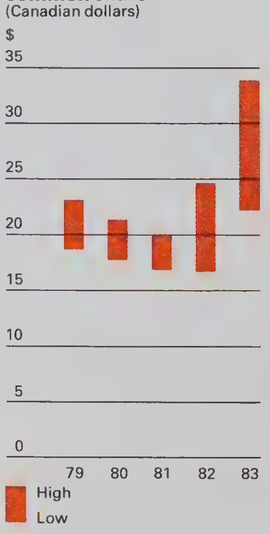
On November 18, 1983, an increase in the dividend on common shares was declared. The final 1983 quarterly dividend, which was paid on January 15, 1984, was raised to $0.545. The indicated annual rate is now $2.18, an increase of $0.10 over the previous annual rate.

At December 31, 1983 there were 304,432 registered holders of common shares.

Dividend growth



Market prices per common share
(Canadian dollars)



Selected Financial and Other Data

	1983	1982†	1981†	1980†	1979†
Income statement data (millions of dollars)					
Revenues					
Local service	$ 2,224.2	$ 2,136.0	$ 1,918.3	$ 1,625.8	$ 1,449.7
Long distance service	2,481.3	2,276.6	1,972.0	1,624.8	1,414.0
Directory advertising and miscellaneous — net	370.6	278.5	249.9	205.7	174.6
Total telecommunications operations	5,076.1	4,691.1	4,140.2	3,456.3	3,038.3
Manufacturing operations	3,248.3	2,986.5	2,531.0	2,018.5	1,864.1
Other operations	550.3	733.7	718.7	562.2	362.3
Total revenues	8,874.7	8,411.3	7,389.9	6,037.0	5,264.7
Income before extraordinary items	745.2	611.5	546.8	363.4	432.6
Net income	829.8	615.4	555.5	273.4	432.6
Balance sheet data (millions of dollars)					
Total assets*	$14,940.4	$13,424.1	$12,451.2	$11,463.3	$10,382.0
Common equity*	5,306.9	4,256.8	3,859.1	3,471.0	3,345.1
Preferred shares* (redeemable)	423.6	522.4	361.6	454.1	329.0
Minority interest*	800.0	527.5	446.5	397.6	469.8
Long term debt* (including current portion)	4,527.0	4,801.0	4,729.3	4,405.9	3,816.3
Gross capital expenditures	1,597.1	1,759.6	1,713.9	1,598.2	1,351.0
Common share data					
Earnings per common share					
before extraordinary items	$ 3.46	$ 3.05	$ 2.95	$ 1.99	$ 2.63
after extraordinary items	$ 3.88	$ 3.07	$ 3.00	$ 1.44	$ 2.63
Assuming full dilution					
before extraordinary items	$ 3.37	$ 2.97	$ 2.86	$ 1.97	$ 2.55
after extraordinary items	$ 3.76	$ 2.99	$ 2.91	$ 1.44	$ 2.55
Dividends declared per common share	$2.105	$ 1.99	$ 1.84	$ 1.68	$ 1.55
Equity per common share*	$24.68	$22.68	$21.74	$20.75	$21.11
Return on common equity	14.7%	13.7%	14.0%	9.5%	12.7%
Telecommunications statistics					
Telephones in service* (thousands)	9,780.2	9,887.6	10,062.5	9,988.0	9,642.0
Network access services* (thousands)	6,886.9	6,721.5	6,649.6	6,467.2	6,227.0
Long distance messages (millions)	833.3	791.1	792.6	741.0	687.4

*At December 31
†Restated

Shareholder Statistics

As at December 31	1983	1982	1981	1980	1979
Common shareholders by holdings					
1-99 shares	122,765	100,802	95,903	97,441	92,592
100-999 shares	153,232	136,608	135,440	132,287	121,881
1,000 shares and over	28,435	25,802	24,488	23,170	21,687
Total	304,432	263,212	255,831	252,898	236,160
Average number of common shares per holder	706	713	693	661	671
Total number of shareholders (including preferred)	321,140	284,378	271,478	272,081	250,172
Common shareholders by location					
Canada	298,439	257,625	250,389	247,343	230,592
Other	5,993	5,587	5,442	5,555	5,568
Total	304,432	263,212	255,831	252,898	236,160
Common shares by location					
Canada (a)	201,913,798	180,237,717	170,641,242	160,697,362	151,517,667
Other	13,123,984	7,443,617	6,839,673	6,605,378	6,960,037
Total	215,037,782	187,681,334	177,480,915	167,302,740	158,477,704

(a) Held by shareholders registered as residents of Canada.

Board of Directors

Marcel Bélanger, O.C., F.C.A.
Quebec, Quebec
President, Gagnon et Bélanger Inc.
(management consultants)

G. Allan Burton, D.S.O., E.D.
Milton, Ontario
(company director)

C. William Daniel, O.C.
Willowdale, Ontario
President and
Chief Executive Officer
Shell Canada Limited
(integrated petroleum company)

A. Jean de Grandpré, O.C., Q.C.
Outremont, Quebec
Chairman, President and
Chief Executive Officer
Bell Canada Enterprises Inc.

J. Peter Gordon, O.C.
Mississauga, Ontario
Chairman and
Chief Executive Officer
Stelco Inc.
(steel company)

H. Clifford Hatch
Windsor, Ontario
Chairman, Executive
Committee of the Board
Hiram Walker Resources Ltd.
(producer of distilled spirits, gas and oil)

James W. Kerr
Toronto, Ontario
Consultant to and Director
TransCanada PipeLines Limited
(natural gas transmission company)

* **Radcliffe R. Latimer**
Toronto, Ontario
President and
Chief Executive Officer
TransCanada PipeLines Limited
(natural gas transmission company)

Paul H. Leman, O.C.
Outremont, Quebec
(company director)

Walter F. Light
Toronto, Ontario
Chairman and
Chief Executive Officer
Northern Telecom Limited

Helen L. Margison
Toronto, Ontario
(company director)

E. Neil McKelvey, Q.C.
Saint John, New Brunswick
Partner
McKelvey, Macaulay, Machum
(law firm)

John H. Moore, F.C.A.
Lambeth, Ontario
Chairman, Executive
Committee of the Board
London Life Insurance Company

** **J. Dean Muncaster**
Toronto, Ontario
President and
Chief Executive Officer
Canadian Tire Corporation, Limited
(wholesale distributor of automotive, hardware and sporting goods)

Gérard Plourde, O.C.
Montreal, Quebec
Chairman of the Board
U A P Inc.
(automotive parts distributor)

Robert J. Richardson, Sc. D.
Greenville, Delaware, U.S.A.
Executive Vice-President
E.I. du Pont de Nemours and Company
(chemical manufacturer)

H. Rocke Robertson, C.C., M.D.
Mountain, Ontario
(company director)

Lucien G. Rolland
Montreal, Quebec
President and
Chief Executive Officer
Rolland inc.
(manufacturer and distributor of fine papers)

James C. Thackray
Toronto, Ontario
Chairman and
Chief Executive Officer
Bell Canada

Orland Tropea
Oakville, Ontario
Deputy Chairman
Bell Canada Enterprises Inc.

Louise B. Vaillancourt
Outremont, Quebec
President
Fondation Armand-Frappier
(non-profit research funding organization)

*appointed January, 1984
**resigned December, 1983

E.N. McKelvey, G. Plourde, A. J. de Grandpré, H.L. Margison, W.F. Light, C.W. Daniel, J.W. Kerr

Committees of the Board of Directors
(December 31, 1983)

Audit committee

M. Bélanger — Chairman

P.H. Leman

E.N. McKelvey

J.H. Moore

G. Plourde

L. B. Vaillancourt

Management resources and compensation committee

J.W. Kerr — Chairman

M. Bélanger

G.A. Burton

J.P. Gordon

H.C. Hatch

Investment committee

A.J. de Grandpré — Chairman

M. Bélanger

C.W. Daniel

H.L. Margison

J.H. Moore

L.G. Rolland

O. Tropea

Pension fund advisory committee

R.F. Bennett

G.A. Burton

J.V.R. Cyr

J.P. Gordon

E.N. McKelvey

G. Plourde

R.J. Richardson

Members of the pension fund advisory committee are directors drawn from the BCE board and from the Bell Canada board to oversee the Bell Canada and BCE pension funds.

J.C. Thackray
P.H. Leman
G.A. Burton

L.G. Rolland
J.P. Gordon
H.R. Robertson
M. Bélanger

R.J. Richardson
O. Tropea
L. B. Vaillancourt

Officers

A. Jean de Grandpré
Chairman,
President and Chief
Executive Officer

Orland Tropea
Deputy Chairman

Gordon E. Inns
Executive Vice-President,
Planning

J. Stuart Spalding
Executive Vice-President,
Finance

Josef J. Fridman
General Counsel

Guy Houle
Corporate Secretary

Daniel O. Jarvis
Treasurer

Donald R. Newman
Comptroller

Investor Information

Transfer Offices for Stock

Canada:

BCE Shareholder Services

800 Square Victoria
Montreal;

483 Bay St.
Toronto

The Royal Trust Company

St. John's, Nfld.; Halifax;
Charlottetown;
Saint John, N.B.; Winnipeg;
Regina; Calgary; Vancouver

Outside Canada — Common shares only:

Morgan Guaranty Trust Company of New York

New York, N.Y.

The Royal Trust Company

London, England

Registrar for Stock

Canada:

Montreal Trust Company

Montreal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown;
Saint John, N.B.; Winnipeg;
Regina; Calgary; Vancouver

Outside Canada — Common shares only:

Morgan Guaranty Trust Company of New York

New York, N.Y.

Williams & Glyn's Registrars Limited

London, England

Listing of Stock

Canada:

Montreal, Toronto,
Vancouver
Stock Exchanges

Outside Canada — Common shares only:

Belgium
Brussels Stock Exchange

France
Paris Stock Exchange

Germany
Frankfurt am Main,
Düsseldorf Stock
Exchanges

Switzerland
Zürich, Basle, Geneva
Stock Exchanges

The Netherlands
Amsterdam Stock
Exchange

United Kingdom
The Stock Exchange

United States
New York Stock Exchange

Shareholder Plans

Shareholders wishing to acquire additional common shares of Bell Canada Enterprises Inc. can take advantage of two investment plans.

The Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP) provides a convenient method for shareholders to reinvest their common share cash dividends in new common shares of Bell Canada Enterprises Inc. at 95 per cent of the average market price. Participants in DRP may also invest monthly optional cash payments of up to $20,000, with a cumulative limit of $20,000 for each 12 month period ending on October 15, in new common shares of BCE at 100 per cent of the average market price.

The Optional Stock Dividend Program (SDP) allows participating shareholders to receive common share dividends in the form of new common shares of BCE (stock dividends) at 100 per cent of the average market price.

Unlike cash dividends, shares issued under SDP as stock dividends to residents of Canada are not generally subject to tax when received, but rather are taxed on a capital gains basis when the holders dispose of them.

Shareholders participating in DRP or SDP pay no brokerage commissions or service charges on the acquisition of these shares and all administrative costs of these plans are borne by BCE.

Additional information can be obtained from:
The Treasurer
Bell Canada Enterprises Inc.
P.O. Box 6074, Station A
Montreal, Quebec H3C 3G4

The annual reports to shareholders of the public companies of the group may be obtained from those companies or by request to the corporate secretary of BCE.

Form 10-K
The Annual Report on Form 10-K is available from the date of its filing with the Securities and Exchange Commission in the United States by writing to:

The Corporate Secretary
Bell Canada Enterprises Inc.
P.O. Box 321
Tour de la Bourse
Montreal, Quebec
H4Z 1G8

Sur demande, le secrétaire de la Société vous fera volontiers parvenir un exemplaire français du rapport annuel.

Litho Canada